

# QUESTIONS OF THE HOUR

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HODDER AND STOUGHTON  
LIMITED                      LONDON

MADE AND PRINTED IN GREAT BRITAIN, 1924.  
RICHARD CLAY & SONS, LIMITED,  
PRINTERS, BUNGAY, SUFFOLK.

## PREFACE

OF the essays contained in this book the second—"Towards Peace in Industry"—has already appeared in the columns of the *Observer*.<sup>1</sup> The rest are now published for the first time. They are all the work of the last two years, and work undertaken, in the first instance, from an impulse of protest against some of the "stunts" of that distracting time. Thus their subject-matter is purely topical. But I venture to hope that they may not be found altogether topical in spirit. For my constant endeavour has been to grope my way, through the mist of current controversy, to some firm resting ground of principle. In that attempt I have, no doubt, achieved only a moderate measure of success. But defective as I feel these essays to be, limited in scope, imperfect in arrangement and crabbed in style, they are yet the product of such an amount of hard thought on my part, that they may be of aid to the thought of other men.

The book deals largely with economic questions. I hope that professional economists will show indulgence to the amateur, who has ventured to

<sup>1</sup> In the issues of January 7th, 14th, 21st, and 28th, 1923.

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trespass on their preserves. For I can make no pretension to economic learning. In an over-busy life I have had no time to master the vast literature of the subject, or even to keep pace, though I have tried hard to do so, with current developments of economic thought. Whatever value my reflections may have is due to the fact that they are the outcome of a long life spent in practical activities of many different kinds. They are readings of the book of my own experience. And while I lay no claim to exceptional sagacity, it is certain that my experience has been exceptionally varied, and that I have often had occasion to study the same problems from opposite sides. For I have been at different times a journalist, a Civil Servant, a politician, and a man of business. I have lived for years, not only in foreign countries, but in parts of the Empire presenting in every respect the greatest contrast to one another. I have had long spells of administrative work, at home and abroad, and equally long intervals of complete freedom from official responsibility. I have been a Treasury man, and in other public capacities have had many a fight with the Treasury. At one time a tax-gatherer myself, and knowing all the tax-gatherer's difficulties, I have of recent years been driven to criticise the tyrannous use made of instruments of taxation, which long ago I helped to forge.

One word in conclusion about the relation of these essays to one another. They are but



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loosely connected, and cover only a small portion of the wide demesne of National Economy. If anything holds them together, it is the standpoint from which they are all written. That standpoint is—unhappily, as I think—an uncommon one. Separated from one political party by my advanced views on social questions, still more widely separated from others by my faith in the Empire and my attachment to national rather than cosmopolitan ideals, I often seem to myself to be “ploughing a lonely furrow.” But at a time, when all party distinctions are in the melting pot, perhaps even this eccentric bundle of opinions may gain a hearing and contribute something to the evolution of a new political creed.

MILNER.

*April, 1923.*



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## I

### THE AFTERMATH OF WAR

THE economic chaos prevailing throughout the world since the end of the Great War has as yet found no adequate explanation. We are all conscious of its effects, but there is infinite diversity of opinion about its causes, or at any rate about the relative importance of the several influences which have contributed to it. Thus no agreement exists as to the course we should pursue in order to escape from our troubles. *Quot homines, tot sententiæ.* The chaotic state of business finds its counterpart in a babel of conflicting counsels.

There is nothing surprising in this state of affairs. Practical wisdom is the child of experience, and the earthquake which has shaken the economic foundations of all civilisation has been of so wide an extent and so novel a character, that only partial and imperfect guidance can be derived from the study of lesser and in many respects dissimilar disturbances in the past. The vastness, the number and the complexity of the problems confronting us are unprecedented. No human brain, however acute and well stored, can be expected as yet to read the riddle which they present. In time, no doubt, when what

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appears at present a scene of indescribable confusion can be regarded from a distance, the philosophic historian will be able to reduce it to an intelligible form and to distinguish the main, essential and ultimately decisive factors from the innumerable minor subsidiary and ephemeral phenomena which distract our minds and confuse our vision to-day. But to us this clearness of interpretation is impossible. We are wanderers in a thick forest with many cross-roads and by-paths and endless opportunities of going astray. Students in the future may be able to look down and see it all like observers in an aeroplane, to whom the extent and shape of the wood, the direction of the tracks and the shortest way out are clearly discernible, and the mistakes of the wanderers in the wood obvious and pitiful. But we of this generation are the men on the ground, seeing only the thicket immediately in front of us and arguing with one another as to the relative merits of the numerous tracks which seem to promise an exit from the jungle.

In time no doubt exits will be found, and in any case we cannot do otherwise than continue to look for them. But in doing so it will be well to keep a very open mind, and to be on our guard against those gusts of public opinion, like the present rage for "economy," which, always one-sided and often wrong, lead us to rush first in one direction and then in another, and increase the difficulty, great enough in any case, of arriving at a steady and well-balanced policy.

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Looking back on our experiences, in the economic sphere, since the outbreak of the Great War, nothing is more remarkable than the way in which general anticipations have been constantly falsified by events. Over and over again that which actually happened was the very reverse of what popularly accepted predictions, not in themselves unreasonable, had led us to expect. In the autumn of 1914 there was a widespread conviction that the upset of our normal trade must lead to an unprecedented amount of unemployment, and a great National Fund, which there was ultimately some difficulty in knowing what to do with, was raised by public subscription to relieve the anticipated distress. But, as it turned out, the war, so far from bringing unemployment, brought intensified production and a greater demand for labour than it was possible to supply. For the great majority of the working-classes the years of war, instead of being a time of distress, proved to be a time of exceptional prosperity.

Nor was this the only great surprise which the war had in store for us in the field of economics. When the war began, almost everybody cherished the belief that, whatever the intensity of the struggle, it could not be of long duration. Here and there indeed men were to be found who, like Lord Kitchener, foresaw that it was likely to last not months but years. But the general conviction certainly was, and it was strongest on the part of men versed in economic studies, that,

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if nothing else brought the war to an early close, the impossibility of financing it must do so. In view of the enormous costliness of modern warfare, it was argued, and reasonably argued, that no great civilised country could long endure the financial strain. If anyone had suggested, in 1914, that our own country, for instance, could by any possibility raise 10,000,000 millions, or even half, or even a quarter of that sum, in order to carry on the war, he would have been regarded as a madman. Yet not only did we raise that amount and more—over 3000 millions out of revenue and over 7000 millions by loan—but we were prepared to go on raising money. I can speak from personal experience in this matter, for I was in the centre of affairs at that time, and I well remember that in the early summer of 1918, even with America then throwing her whole weight into the scale, none of us foresaw the early termination of the struggle. Ultimate victory did then indeed seem certain, but we were all expecting another campaign in 1919, and many people talked of 1920. And no one any longer suggested that we should not be able to go on, even till 1920, from inability to raise the necessary money. For by that time it had become evident from experience that mere financial embarrassments were never going to put a stop to the war. It might indeed be terminated—as to a certain extent it was terminated—by an absolute shortage of indispensable things—food, in the first place, but also



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coal and various materials necessary for the manufacture of munitions. But as long as the things themselves could be produced in adequate quantities, the counters for dealing with them would always be forthcoming.

It would take me too long to quote other instances, though I might easily do so, of the way in which actual experience, in and after the war, has confounded even the best-reasoned economic anticipations. But one further illustration may perhaps be given. In the first year of peace there was a general clamour for intensified production. All those engaged in productive work, capitalists and workmen alike, were incessantly exhorted to redouble their efforts, in order to make good "the losses of the war." And, as a matter of fact, fresh capital was freely poured into some branches of manufacturing industry, which were already more than sufficiently equipped to deal with a considerable increase of demand. But presently the demand fell off, first in one trade and then in another. And so the panacea of intensified production was found to have a hole in it. For greatly as people, both at home and abroad, were in need of the goods we could produce, it turned out that they were not equally capable of buying them. Production had outstripped effective demand, and thus the problem of economic recovery has now assumed a totally different aspect from that which it presented four years ago. It is not so much a larger

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output of which we are seen to stand most in need, as a wider market in which to dispose of what we are perfectly well able to produce.

Bearing in mind these many miscalculations in the past, we may well be wary about equally confident diagnoses of our present troubles and hesitate before we commit ourselves to a course of action based on them. And in a case in which the wisest of us and those who speak with the highest authority in such matters—great men of business, learned economists—have often gone astray along with the crowd, it is not presumptuous for any one to venture to think for himself, and to hesitate before he accepts the popular theories of the moment, even when they are backed by those to whose opinion under more normal conditions he might feel inclined to bow. It is for these reasons that I am emboldened to break a lance against much that is vigorously preached and almost generally accepted to-day, and to question whether we have as yet either truly learned the lessons of the war, or found the best way of escape from the troubles which now perplex us. It may be that we are too hasty in condemning, as unsuitable for peace, all the novel measures which we found necessary for our salvation in war. It may be that we exaggerate the losses of the war, and undervalue the fruits of the marvellous progress which Science, under the pressure of “necessity, the mother of invention,” made during the course of it, and that we neglect the new opportunities opened up to us by victory.

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It may be that we attribute too much of our present distresses to the war, and too little to antecedent and still persisting errors in economic doctrine and social organisation.

Whatever I may have to say under any of these heads shall not be said in any spirit of dogmatism. If there is any truth in the view already expressed about the degree and the causes of our present bewilderment, it must be evident that dogmatism under such circumstances is wholly out of place. The last thing I shall attempt to do is to lay down the law, rather do I wish to call a halt to those who seem to me to be laying it down too confidently. And I am impelled to do this for a practical reason. I may as well own at once that I am in revolt against the present all too pervading spirit of pessimism. I am weary of the endless jeremiads of the Press, and the solemn lectures of so many public men, about our alleged poverty as a nation—the huge destruction of wealth caused by the war, the immense burden of debt, the danger of national bankruptcy and the necessity of drawing in our horns in every direction, of painfully husbanding our diminished resources and of no longer “throwing a sprat” even in hope of “catching a herring.” Frankly I am not convinced that we are as poor as we think ourselves, or that, if we are, the road to recovery is to be found in a timorous avoidance of all new opportunities of enrichment. I doubt whether the burden we have to carry is as heavy

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as it is commonly represented. But if it is, should we not try to broaden the back which has to carry it? Not contraction, but expansion should be the watchword; not mere economy, but the development of new sources of wealth.

This obvious truth was generally recognised at the close of the war. But the exaltation of victory and the confidence inspired by the previously undreamt-of capacity of production, which our war-time efforts had shown the country to possess, led to exaggerated estimates of what we could do, and especially of what we could do immediately. Unthinking optimism was as much the mood of the moment as excessive dejection is to-day. Sanguine estimates of what might be accomplished, when the vast amount of national energy evoked by the war should be turned to the works of peace, filled men's minds, and they did not stop to consider the enormous difficulty of such an economic revolution as the change over from one set of activities to a wholly different set. That difficulty was indeed heightened by the suddenness with which the engines were reversed, by the intense impatience of people of every class to get back at once to pre-war conditions, and the general intolerance of any attempt to direct the energies set free by the war into the most useful channels. During the war everything had been controlled. The irksomeness of such a system, especially to a people by nature so intensely individualistic as the British, led to a violent

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revulsion, which has even now not spent its force, against "bureaucratic" interference. That torrent swept away much that was only useful and justifiable under conditions of war, but also a great many things well worth preserving during the period of transition, and some which it would have been to our permanent advantage to retain.

During the war a great deal of thought and really useful labour had been devoted, not only by the Ministry of Reconstruction, to making plans for the resumption of peaceful activities on better lines than those to which we had been accustomed in the past. In the disorganised scramble, which began the moment the war was over, all these plans went by the board. The amalgamation of the railways, certainly a step in the right direction, is almost the only practical outcome of all the many schemes for remedying the defects in our industrial organisation and in the use of our natural resources brought home to us by the stress of war.

No sooner was the pressure taken off than we gaily went back to all our old methods. Indeed not only have we gone back to them, but we are just now even angry with and contemptuous of the "theorists," who still continue to bother us with big schemes of amelioration. We are practical men and have no time and no money—especially no money—for such fantasies. The very idea of "Reconstruction," of organising our industrial efforts and developing our resources on any settled plan, has fallen into disrepute.

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Agriculture has been allowed to lose all, and more than all, the ground which it gained during the war. The immense economies which might be effected by the production of electricity in bulk and by better methods for the production, distribution and use of coal, so far from being seriously taken in hand, no longer excite the faintest public interest. Aviation, in which at the close of the war we led the world, is smitten with paralysis. This country will soon be the most backward of all great European nations in the struggle for the conquest of the air. The Imperial Wireless Chain, which was going to bind together the most distant parts of the Empire, has made little if any progress. So far from improving production in old, and developing it in new directions, we have got a plentiful crop of unemployment, and the money which we do not dare to spend on constructive work has to be spent on keeping men alive in idleness.

The reason commonly given to justify the descent from such high hopes to such paltry achievement is the great dissipation of national resources due to the war. The war, so runs the argument, left this country greatly impoverished. It is true that immediately after its conclusion there was a great boom in trade, that wages and profits continued high and that there was a keen demand for labour. But this apparent prosperity was really delusive. It was due to "inflation," concealing the true state of affairs. Sooner or later the losses of the war were bound to make

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themselves felt. We had been wasting our capital, and though this waste might be temporarily concealed by the great rise in prices—which made our national wealth, though really diminished, look larger—it was certain in the end to restrict enterprise and diminish employment.

By those who hold this view the present depression is regarded as inevitable. It may, in their opinion, even be wholesome, if it brings us to our senses and compels us to face the truth, which is that we are an impoverished people and that it is only by working hard and spending little, and thus gradually accumulating fresh capital to replace that which we have lost, that we can hope, over a course of years, to regain something like our old measure of prosperity.

This—of course with many variations—is the popularly accepted theory, blessed too by “orthodox” economists. And no doubt there is some truth in it, as we shall presently see. But, on reflection, many doubts must arise as to its complete adequacy as an explanation of our present experiences. And first and foremost it is legitimate to ask, whether the war has in fact reduced our national wealth as much as is commonly supposed. Is it for want of “Capital”—using that difficult and ambiguous word to denote the portion of our total wealth which is available for the support of further production—that trade is languishing and such an enormous number of people are out of work?

In considering this question we must of course

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put aside comparisons in terms of money—the great changes upwards and downwards in the value of money, *i. e.* in the purchasing power of the pound sterling, make such comparisons treacherous ground—and try to look at the things themselves, the actual objects which constitute material capital. And when we do that, it is, to say the least, not evident that either the total wealth of the nation, or its capital, in the sense here given to that word, has been impaired to anything like the extent commonly assumed. In one respect, and an important one, we certainly are poorer, as a nation, than we were in 1914. The net amount of our investments outside the United Kingdom, whether in foreign countries or in our own Empire, has been greatly diminished. For not only did we part with a good many of those investments to help us in paying our way during the war, but we contracted a debt abroad of rather more than 1000 millions, which is *pro tanto* a reduction of the oversea investments which remain to us. It is difficult to estimate precisely the effect of these operations. But, broadly speaking, it is pretty certain that, on balance, we have suffered a loss of one-third or two-fifths of our oversea wealth. That loss may amount to something like £1,500,000,000, certainly a formidable figure.

But, formidable as it is, I fancy that it would not alarm us so much—seeing that we still remain, on balance, a great creditor nation—if it were not for the general conviction that our



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home wealth has been reduced in an equal and even a greater degree. For, after all, while there is no country in the world—with the possible exception of Holland—in which oversea investments form a greater proportion of the total national wealth than they do in Great Britain, yet even here this proportion never exceeded, if indeed it ever amounted to, one-fifth of that total. It is the land, the minerals, the factories, the houses, the ships, and all the innumerable goods inseparable from or accumulated in these islands, which constitute the bulk of our national wealth. It is by the use of them that we have been enabled in the past, not only to support ourselves, but to produce, year in and year out, that surplus which has gone to build up our foreign investments, and is, even now, beginning to increase them again. How far has this main pillar of our economic strength been weakened, except in our imagination, by the war?

Let us try to think this out, always keeping our eyes fixed on the things themselves. A certain amount of damage was done by hostile aircraft, a much greater amount by submarines—indeed the loss of shipping was probably the heaviest item in the whole list of war damages. In addition to this there was exceptional wear and tear of roads and railways, and indeed there was an exceptional amount of depreciation all round in what may be described as fixed capital, owing to the diversion of labour to war purposes, and the consequent neglect of the usual repairs

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to houses, hedges, gardens, plantations and in some cases to industrial plant. Generally speaking, there was less spent in upkeep, and so the things which should have been kept up became less valuable. Finally there was a considerable sacrifice of trees, though woodlands, through our unhappy neglect of forestry, play so small a part in our national economy that this sacrifice stands at a comparatively trifling figure.

The account, as a whole, is thus evidently not negligible. The actual diminution of our home wealth through the war was considerable, amounting to some hundreds of millions, and this has to be added to the net reduction in our foreign investments in estimating the total national loss. But, as far as our home wealth is concerned, have we not *per contra* a very big item to enter on the other, the credit, side? During the war our annual output, the sum of goods produced by the labour of the people, increased enormously, beyond all precedent and all that had previously been imagined possible. For though so large a proportion of the male population was taken away for direct war service, those who remained worked more strenuously, and were reinforced not only by those who would ordinarily have been unemployed and others hitherto regarded—wrongly, as it proved—as unemployable, but by millions of women. And though the greater part of this prodigious output was, economically speaking, waste, it was by no means all waste. On the contrary, the stimulus of war drove us

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into an improvement, long overdue, in our industrial plant—more and better factories, new and better machinery (to say nothing of better methods), which left us at the end of it more and not less well equipped for future production than we were at the beginning. As far as “fixed capital” goes, at any rate, the attribution of our present distress to the losses we suffered through the war definitely fails.

But neither can that distress be attributed to a lack of “liquid capital,” for, whatever may be our position in that respect to-day as compared with our position before the war, there is still evidently plenty of money seeking investment. But industry—in Great Britain, at any rate—is not getting it; witness the enormous rise in the price of all Government stocks and similar securities, into the purchase of which money is pouring just because it is not being attracted into trade. If, therefore, as a matter of fact—and who can deny it?—our output is low, and more than a million capable workers are unemployed, it is to some other cause than want of capital, due to our losses through the war, that this deplorable state of things must be attributed.

But before proceeding to examine another alleged cause, I must here make a digression to meet some objections with which I shall inevitably be confronted. It will certainly be said that I am ignoring the immense burden of the National Debt, and that it is absurd to contend that, owing between seven and eight thousand millions instead

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of six hundred, we are not infinitely poorer than we were. Well, as regards that portion of the National Debt which we owe to foreigners, I have not ignored it. But as regards that portion which we owe to ourselves, I do contend that it does not represent a diminution of our total national wealth, but a redistribution of it as between individuals.

In saying that I do not mean to contend that a huge National Debt is not a great evil. It is an almost intolerable embarrassment to the Government, which has perpetually to extract money from a great number of people in order to put it into the pockets of a much smaller number—a process in itself expensive and a fertile source of economic disturbance and general discontent. The existence of a big National Debt is a drag on us in many ways, and an impediment, though perhaps not so great an impediment as is commonly supposed, to the flow of capital into industry and the smooth working of the industrial machine. All this may be admitted, but it does not mean, and it is not true, that the nation as a whole is poorer by the amount of the National Debt which is held in the country itself. The effect of the National Debt is that a large share of the national income, that is to say, of the total of our annual output, our annual production, has to be set aside to pay interest on the Debt, and perhaps ultimately to redeem it. But that share—in so far as the Debt is held at home—is taken out of one set of

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British pockets to be put into another set. It remains part of our national income all the time.

And the same is true of pensions paid to disabled men or to the dependents of those who fell in the war. No doubt the loss we suffered through the death or disablement of enormous numbers of our best people during the war was, even economically speaking, to say nothing of other points of view, by far the heaviest of our war losses, greatly exceeding any material damage we sustained. But the pensions paid in consequence of that loss are no diminution of our present national income, but simply a diversion of part of it from the general body of taxpayers to a certain number of individuals.

To come to another objection. It may be said: "But surely all those millions which the War Debt represents have been spent. How can it be contended that they are not so much wealth lost—from the economic point of view, simply wasted? Is it not self-evident that we must be poorer, as a nation, for this waste?" Let us examine this argument carefully, for the subject is an intricate one and the greatest confusion of mind exists with regard to it. The popular view undoubtedly is, that these thousands of millions of War Debt represent, at any rate for the most part, wealth actually lost, and that we are paying, and must go on paying, for years and years, in order to replace that loss. But that view will not stand the test of a close analysis. It is true that by far the greater part, though not,

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as we have seen, the whole of these millions was spent on goods and services only useful for purposes of war and not constituting or creating wealth, in the true sense of the word, at all. The bulk of our war production was a production of things intended for purposes of destruction and for the most part actually destroyed in fighting. But these things we do not need to replace, nor are we in fact replacing them. The material waste of the war was not the waste of these things, but the waste of human energy devoted to producing and using them. That waste we are not paying for now, nor shall we have to pay for it hereafter. We did pay for it, and pay heavily, while the war lasted, by the diversion of many people from the production of real wealth—*i. e.* of things normally useful or enjoyable—to the production of war material and to fighting. We had less food, wore fewer clothes, built fewer houses, were deprived of many comforts and enjoyments. But even these privations were not as great as they might have been, owing to the fact that an immense amount of the work devoted, during the war, to purely war purposes was the work of men and women who, but for the war, would not have been employed in productive work at all. And in any case these privations quickly came to an end when the war was over. While the war lasted there was a want of hands to supply many of our ordinary needs. But there is no such want now. There are hands in plenty, and if, in fact, many of our

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needs are not supplied, it is not from want of hands, just as it is not from want of capital, but for some other reason.

Thus we are now in a position to answer the objection which we have been considering. And the answer is this. We wasted, economically speaking, an enormous amount of productive energy during the war. But a great deal of it was energy which only the war itself could have evoked. And, in so far as it was energy which, but for the war, would have been expended on goods and services of normal utility, we suffered from the loss of it, *during the continuance of the war*, in a shortage of these goods and services. But we are not suffering from the loss of it now. And as for the material wasted in fighting, we cannot be poorer as a nation for the loss of what, but for the war, we should never have produced and, now that the war is over, we no longer want.

This little digression ended, I must now return to the point at which it began, and try to examine the second of the explanations most commonly given for the present depression of trade and abnormal amount of unemployment.

That explanation is, that depression and unemployment in Great Britain are due to the failure of effective demand for British goods in certain foreign countries with which before the war we did a considerable trade. According to this theory it is only by the revival of prosperity in those foreign countries, and especially in Central and Eastern Europe, that our troubles

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can be relieved. And it is this theory rather than the one already considered — viz. our alleged impoverishment and lack of capital — which may at present be said to hold the field. Not that the two are regarded as mutually exclusive. On the contrary, they are both often advanced concurrently, and by the very same people. Yet it is evident that they weaken rather than support one another. For, if it be the case that we are unable to reach our former level of production for want of capital, it matters less that the demand for our products is also in some measure reduced.

In truth a much stronger case can be made out for the latter explanation than for the former. That the demand for our goods in many foreign countries has fallen off, while in some it has for the time being almost entirely ceased, is indubitable, and this fact does account for the present slackness of several of our principal industries. But what it does not adequately account for is the widespread depression over the whole field of British industry, and the sharp contrast between that depression and the activity which prevailed immediately after the war.

That a falling off in foreign trade does not necessarily involve such a general paralysis of industrial activity, is proved by what has happened in other countries, less fortunately situated in many respects than our own. Take Germany, for instance. Germany too is a great exporting country. And the foreign trade of Germany has



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been even more severely handicapped, though from somewhat different causes, than that of Great Britain. But while British industry has been languishing, Germany has been humming with industrial activity. And if it be said that this activity is morbid and ephemeral, that it is all due to "inflation," and that it will be followed by a crash—I daresay there may be a crash, but not as a consequence of the precedent activity—then how about France? France has lost outlets for her trade, like all the rest of us, but France has not suffered from industrial stagnation, nor has she failed to find employment for almost all her people. And, on the other hand, there has been intense industrial depression in the United States, though the United States are less dependent than either England, France or Germany on foreign trade. Can it, in view of these facts, be contended that so long and severe a depression, or so great an amount of unemployment as we have experienced in this country, is sufficiently accounted for by our partial loss of foreign markets? And again—more vital question still—is it really true, as is still so constantly asserted, that it is only by the recovery of our trade with Central and Eastern Europe that British industry can regain its former measure of prosperity?

If this were the case, the outlook for the immediate future would be black indeed. But Great Britain has other strings to her bow and, given the material resources for carrying it on, trade,

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when old channels are closed to it, has a wonderful way of finding and indeed of making new channels in which to flow. The total loss of our trade with some European nations, its great diminution in the case of some others, however disastrous in themselves, may not work wholly to our disadvantage, if they compel us to seek outlets for our stagnant industry in new and perhaps ultimately more profitable directions. It may be that a pretty severe shock was necessary to awaken us to these possibilities. "There is no pain like the pain of a new idea," and this is perhaps specially true in the case of our industrial and financial plutocrats, whose reluctance to break with old habits, traditions and principles of business, which have proved so profitable in the past, is naturally heightened by the expensiveness and the risks of the process.

Some of these principles indeed will never, we may hope, be abandoned. The methods of British industry and finance, which even long before the war lagged so far behind those of some other countries, notably of Germany, in resourcefulness, ingenuity and enterprise, have always retained the compensating qualities of steadiness, trustworthiness and sobriety. These, it is reasonable to think, are national characteristics which will survive, however great the changes which the inevitable shifting of the ground under our feet may involve, and as long as we retain them, even the greatest changes may be effected by gradual steps without danger to the edifice.

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But, except in respect of fundamental moral principles, we are living in a new world, and we must learn to accommodate ourselves to the new conditions. At present we seem still, both at home and abroad, to be placing our reliance upon the hope of a return to the conditions of the past. It is this attitude of mind which leads us to concentrate our attention upon the disordered condition of Europe, and to see no hope of salvation but in the restoration of our trade with the Continent. By all means let us make what efforts we reasonably can to cure the economic disorders of Europe and, primarily, to abate the international friction which is the persistent cause of them. Apart from all questions of economic interest, that is the duty of Great Britain as a member of the European family. But do not let us think that, if these efforts are unfortunately unavailing, our own prosperity must be hopelessly undermined. It cannot be undermined, if we will only avail ourselves of other opportunities for the development of our trade and industry, which in the past we have too much neglected but can no longer afford to neglect.

Foremost among such opportunities are those afforded by the latent wealth of the Empire, of which Great Britain is the centre. The economic potentialities of the vast territories, either belonging to the free nations which own allegiance to the British Crown, or still under the direct control of Great Britain, are almost

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immeasurable. But it needs a policy instinct with imagination and courage to turn their great natural resources to account, and in our dealings with them in the past those qualities have too often been lacking. That subject, however, is more fully treated elsewhere in these pages,<sup>1</sup> and I need not dwell upon it here. Suffice it to say that, at long last, we seem to be awakening to the supreme importance of Imperial development to the economic salvation of Great Britain. The Empire Settlement Act of last year may be regarded as a sign of that awakening. Moreover, the present Government is the first which has placed active steps for the promotion of trade with the other countries under the British flag in the forefront of its policy. That is, indeed, almost the only promise of a constructive character in its programme, so that we may reasonably hope to see some energy put into the fulfilment of it. If that be the case, we shall not have long to wait before the increased demand for British goods from the British Dominions and Dependencies compensates, and more than compensates, us for the loss of certain foreign markets, even if that loss were permanent.

This then is one way of escape from the distress which a falling off in our trade with foreign countries is calculated to cause. But it is not the only way. Oversea markets are no doubt very important to us, and of these the

<sup>1</sup> See Essay IV.

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markets of the Empire are the most sure, the most capable of expansion, and the most profitable. But there is, after all, a market more important still, and that is the home market. We are as yet very far from having exhausted the possibilities of production for home consumption. Is there not indeed some danger of our making a fetish of our export trade? It seems at times to be strangely forgotten that the laborious business of importing and exporting is not an end in itself. If we could produce all that we wanted in our own country, there would be no need for it at all. As a matter of fact, of course, we cannot produce here anything like all that we want. We are dependent upon the outside world for a great proportion not only of the things we consume but of the raw material of what we produce. Hence the enormous amount of our imports and the necessity for a great, though not equally enormous,<sup>1</sup> quantity of exports wherewith to pay for them. But now that we are hard put to it to export enough to pay for all we import—not because we cannot produce the goods, but because we cannot find enough people to buy them—is it not worth while to consider whether all our imports are necessary, and whether some of our hundreds of thousands of unemployed could not be used in producing at home a great deal of what we now bring in

<sup>1</sup> As a creditor country we do not need to pay by exports for all our imports, and we pay for part of them not with goods but with services, such as shipping.

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from abroad? For while a great part of our imports no doubt consists of things which cannot be produced in this country at all, or only at an impossible cost, there is still a large proportion of them which we not only could produce ourselves, but which we are in every conceivable respect the worse for not producing.

And be it observed that this increase of home production would help us in more ways than one to overcome the difficulties by which we are confronted. Not only would it, by diminishing our dependence on foreign countries, relieve us of the necessity of pushing our export trade *per fas et nefas* in order to pay for what we at present needlessly import, but it would create a new market in this country to absorb the goods which we at present have such difficulty in selling abroad, or do not make because we see no chance of selling them.

This is one of the reasons why it was so supremely foolish to abandon the policy, hopefully initiated during the war, of restoring agriculture to its rightful place in our national economy. There are indeed innumerable ways in which we might augment our domestic wealth by making better use of the natural resources of our own country, and, if our products are less wanted elsewhere, employ ourselves by working for one another. But there is none which so constantly stares us in the face as the possibility of greatly increasing the yield of British soil. And something substantial was actually done to increase it in the

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years 1917-20. But all this good work has been obliterated by the repeal of that portion of the Agriculture Act of 1920 which gave encouragement to arable cultivation, and we are now helplessly acquiescing in a decline in the standard of agricultural production which will bring it down to an even lower level than that of the pre-war years. It is true that now that all the mischief has been done, there is a certain amount of contrition and futile searching of heart. Mr. Lloyd George has made a speech, and the Government has promised an inquiry, though the precarious position of agriculture and the causes of it are already perfectly well known. But since the only effective remedies for the plight of the industry have been expressly ruled out of consideration, the most that can be looked for is the application of some trivial palliatives.<sup>1</sup>

There are no doubt historical reasons for our long-maintained practical indifference to the fortunes of our greatest home industry. Moreover, the fact that our population is now so overwhelmingly urban, divorced from the soil, and not directly interested in its better cultivation,

<sup>1</sup> Since these words were written the promised inquiry has been instituted, and the three experts appointed by the Government to examine into the position of agriculture have made a report. The report is valuable, and if its recommendations were adopted *en bloc* they would do something, though not enough, to check the decline in agricultural production. But it is already evident that some of the most important of these recommendations will be ignored.

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increases the tendency to ignore the vital importance of a highly-developed agriculture, and to disregard the enormous waste of national resources which the present misuse of so much of the land of the country involves. But while it is possible to explain that attitude of mind, it is, in view of our recent experiences, more than ever impossible to excuse it. For these experiences revealed in the clearest manner, not only the risk we run in time of war from our excessive dependence upon the outside world for the provision of food, but the huge unnecessary debit which we incur at all times through the importation of so great an amount of agricultural produce which our own land, properly used, could itself supply.

The renewed decadence of agriculture is a many-sided disaster. But among its numberless bad consequences there is one which has a special bearing on the subject here under consideration, namely, its inevitable effect in diminishing our home trade and aggravating the curse of unemployment. What is certain to happen—what is indeed already happening—is that a great deal of land which ought to be under arable cultivation will “tumble down” to grass. That means that the soil will not only produce less but will employ fewer people. Moreover, the reduced number still employed will be compelled to accept lower wages. Thus we shall be hit in two ways, firstly, by the increase in the numbers of men whom we shall have to support in idleness, and secondly by the diminution of “effective demand” for the



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products of industries other than agriculture. And that at the very time when by common consent it is from the falling off of "effective demand" that our industry as a whole is languishing.

A great deal might be said about the gross injustice to the farming community, and especially to the men who had just bought land, or whom we had just settled upon it, involved in the repudiation by Parliament in 1921 of the promises held out to them in 1920.<sup>1</sup> But I am not here concerned with the morality of the proceeding, but only with its economic consequences. The contemplation of these may well suggest a doubt, whether the distress from which we are at present suffering is not largely of our own making. Does it not look as if in abandoning our agricultural policy, in cutting down the housing programme, in calling a halt to all productive expenditure, we really took quite the wrong turning, and dealt blow after blow to employment for the home market just when, in the disturbed condition of our overseas trade, it was more than ever necessary to encourage it? Would it not have been wiser at almost any sacrifice to keep the wheels of industry revolving, and, if need be, to create employment by embarking on some of the many public works of undoubted utility of which we stand in need? Is not that, after all, what

<sup>1</sup> The Agriculture Act was passed in December 1920. That portion of it which provided a subsidy for the growing of corn was repealed only eight months later, in August 1921.

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we find ourselves compelled to do now, when those wheels have to a great extent been allowed to run down?

It may be argued that a reduction of public expenditure was essential in order to set free more money for private enterprise. And there is no doubt some force in that argument, and if, in fact, we had had a financial policy consistently directed to the maintenance of industrial activity through private enterprise, the curtailment of Government expenditure might have done less harm. But there was no such consistent policy. For, concurrently with the reduction of public expenditure, most drastic measures were taken to contract credit, measures which did far more to cripple trade and discourage enterprise than any reduction of taxation which the Government, with all its economising, might hope to effect, could ever do to revive them. It is notable that in the United States similar steps, taken, as in our own case, in order to check speculation and bring down prices, produced similar results. They did indeed bring down prices and check speculation, but they also made havoc of much legitimate trade. The two great industrial countries, which have followed a course of deliberate deflation, are also the two in which depression of trade and unemployment have been most acute.

Not that I am prepared to accept the views of those who, like Mr. Arthur Kitson, contend that deflation is the cause of all our troubles, though

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there is good reason for thinking that it has materially contributed to them. For there is only one sound road to the reduction of prices, and that is increased activity of production resulting in a greater abundance of goods. Artificial deflation is just as bad as artificial inflation, for they both disturb the relations of creditor and debtor, and make business a gamble, destructive of stability and confidence. Trade flourishes best when changes of price in either direction are slow and gradual. But at the same time it seems to me extravagant to attribute the depression of trade during the last two years entirely to deflation, or indeed to any single cause. The problem is too complex to admit of so simple an explanation.

The huge convulsion of the war was bound in any case to lead to a world-wide dislocation of business, and the extraordinarily different results which that unsettlement has produced in different countries present riddles not easy to read. In considering the effects of this economic crisis upon our own country, some allowance, indeed great allowance, must surely be made for other than material influences. It is impossible to ignore the psychological element—the mental and moral strain of the unparalleled efforts which we made during the struggle, and the inevitable reaction which followed them. That reaction was all the more violent, because in the first flush of victory hope ran high and roseate visions of a better world blinded men's eyes to the roughness

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of the road immediately in front of them. As these visions faded, disappointment led to fierce outbreaks of industrial strife. The revolt of labour failed, but it had added to the general exhaustion. Disillusion and lethargy took hold of the public mind. The spirit of hopefulness was gone, and without hopefulness there can be no buoyancy of enterprise. Men had had enough for the time being of adventure and innovation. Their one desire was to get back as fast as possible to the old familiar ways, to reduce commitments and to play for safety.

The effects of this moral lassitude were aggravated by misleading economic conceptions. We were obsessed by the thought of our poverty, of the burden of the debt, and misled by the mischievous metaphor of a "pool of capital" which had become "depleted," and could only be filled up again by penurious saving. As we must use metaphors, it would be better to think of capital, not as a pool but as a river. It is the flow, the movement, the consumption of capital, which constitutes its utility, and the prosperity of a nation depends not only on the amount of its capital but on the pace at which it is consumed and renewed. A smaller amount of capital actively employed may mean much more in wages and profits and in general welfare than a larger amount which is functioning languidly. It is not because we have less capital than we had at the close of the war that industrial activity has fallen off. And the revival will only come

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when we get out of the doldrums about our poverty, and think less about mere saving and more about reproductive expenditure, for which there are, both in this country and the Empire, so many opportunities and such crying need.

## II

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WHAT has become of all the good resolutions we formed during the war about the better social order which was to arise after the end of it—the improved relations between class and class, the establishment of a genuine partnership in industry between capitalist and workman? Was it all gush, or did the torchlight of war, piercing the mist of our daily individual cares and pre-occupations, really reveal to us some fundamental truths which we have since forgotten? Certain it is that, from whatever cause, the atmosphere has completely changed and that, as far as the two parties in industry are concerned, we are back again in the old feud, the old misunderstandings and recriminations. In no direction has the after-war reaction been more violent and more devastating, or has the spirit of co-operation, which brought us victory, been more decisively displaced by the spirit of antagonism.

Let us try to remember what actually happened in the years of war. I do not wish to idealise the conditions of industry during that period. The relations between employers and employed were in many cases severely strained. On more than

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one occasion disputes arose in some of our most vital industries which, if a crisis had not been averted, would have gravely impeded the conduct of the war and might even have led to defeat. But the spirit of national unity, the feeling, born of a common danger, that we were "all members one of another," was too strong to allow things to come to such a pass, and by extraordinary concessions peace was maintained, or, when broken, was quickly restored. The concessions were not all on one side. Organised Labour agreed to the suspension of regulations and restrictions for which the Trade Unions had fought for years and which, under normal circumstances, Labour would never have consented to abandon. On the other hand, employers accepted, not always reluctantly, great and successive increases in the rate of wages, which in some cases transcended all reasonable limits. Moreover, employers and workmen alike submitted to an amount of control by the Government, armed as it was with exceptional powers necessary for the conduct of the war, which at any other time they would never have dreamed of tolerating.

That control was not always salutary, but in one important respect it was certainly exercised in the right direction. There was constant pressure on the part of the Government to bring the warring parties together, and to compel them, meeting as equals and putting all the cards on the table, to settle their differences by mutual

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agreement. Thus two ideas, neither of them new, but both greatly strengthened by the experiences of that critical time, achieved a prominence which they have since lost but which it is of vital importance that they should regain. One is the conception that industrial war, certainly in any great trade, is not a matter merely affecting the people engaged in that trade, is not only a disaster to them, but an affront to the community, and that the community has a right to insist on its avoidance. And the other is that the best means of preventing such warfare is the establishment in every industry of a permanent organisation for bringing employers and employed together, not merely for the settlement of disputes, but for the consideration of all matters affecting the good conduct of their common enterprise. This latter conception found its first practical expression in the Industrial Councils which sprang out of the Whitley Report. It is a significant fact that these Councils, at present struggling hard for life against the forces of reaction, were a product of the war period and of the sense of solidarity which the war engendered.

But it was not only, or most markedly, in the factory and the workshop that the better feeling between men of different classes, which characterised the war period, came to light. It permeated all social relations, softening old asperities, and uniting high and low in a spirit of mutual helpfulness and a cheerful acceptance of sufferings



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and sacrifices that were common to people of every rank. But it was strongest of all in the field. The "comradeship of the trenches" was no rhetorical flourish, but a very real comradeship, a vital force which survived the strain of four years of intense and deadly warfare. Though great numbers, if not indeed the majority, of those who filled the ranks were drawn from strata permeated with the spirit of class antagonism and social revolt, their conduct as soldiers bore little, if any, trace of these disturbing influences. The fear of so many politicians that the working men of England would never accept the obligation of military service, or readily submit to the rules of military discipline, was singularly belied by the event. In no army that ever fought was there a better understanding between officers and men. And not least conspicuous for good team work, obedience to orders, and cheerful endurance not only of hardship, but of an irksome, though necessary, routine, were bodies of workmen who, like the miners, had exhibited a very different temper in civil life.

Broadly speaking, it is true to say that the closer contact forced upon men of different classes, primarily in the field, but to some degree also in war-work at home, made for better mutual understanding and greater mutual respect, and justified the hope that the return of peace would find us a less disunited nation. If that hope has been disappointed, it does not follow

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that it was an unreasonable one, still less that we must abandon for all time the promises so constantly held out, the prospect painted in such glowing colours of better future conditions for the mass of the people. The good resolutions then made were not insincere, though certainly we did not realise all that their fulfilment would involve. But that is no reason why, now that we are beginning to realise it, we should abandon them.

It must be freely admitted that so far the pendulum has swung all the wrong way. The mass of the people are not better but worse off than before the war, and a great deal worse off than they were while the war lasted. And in the industrial world the relations of masters and men are greatly embittered. Some of the more short-sighted employers may indeed flatter themselves that the successive severe defeats which Labour has recently sustained have "taught the men a lesson," and will make them in future more ready to accept the wages which Capital is prepared to offer and the conditions on which it is determined to insist. And many of the leading organs of the Press, owned as they are by plutocrats, and leaning as they do, though not always openly, to the side of Capital, are fond of trying to wheedle Labour by compliments on its apparently less militant attitude and greater willingness to bow to the teachings of "economic truth." But this optimistic palaver is altogether wide of the mark.

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The fact is that Labour remains as unconvinced as ever of the truth of middle-class Economics. It has abandoned none of its aspirations, and is simply beating a temporary retreat, because it has been knocked out and needs to recover breath, and because present circumstances are most unfavourable for a renewal of the struggle.

Nevertheless, there is at the moment, from whatever cause, something like a lull in industrial warfare—a lull which gives peacemakers their opportunity. And there is no lack of would-be peacemakers between Capital and Labour. But if these well-meaning persons are to be more successful in the future than they have been in the past, they will need to dig much more deeply into the subject than they have been in the habit of doing. And in particular they will have to show that they really understand, however little they may agree with, the case for Labour. For while the case for Capital is pretty generally understood, and its strength appreciated, it is really remarkable how many educated people still fail to realise on what grounds, apart from what may be called humanitarian considerations, the case for Labour rests. I do not mean to say that their sympathies are against Labour. Indeed I think that the contrary is true. Among what may be called the neutral portion of the community sympathy with Labour is strong, and the desire to see the position of the workers improved is very general. But the extent to which such

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improvement is possible is regarded as strictly limited by inexorable economic laws. How can the workman get more than the industry in which he is engaged can afford to pay? Once it can be shown, as it is shown, for instance, by statisticians like Mr. Bowley, that the national income is only so and so much, that the workman already gets the lion's share of it, and that, even if he got the whole, he would still be badly off, what more is to be said? As a matter of fact there is a great deal more to be said. The question whether Labour gets its fair share of what Labour produces is not the only question. Dig a little deeper and you come to the far more fundamental problem, whether our present national production is anything like as great as it might be and ought to be. And, if it is not, where does the blame for the inadequacy of production rest?

The advocates of Labour generally begin, and very often end, their pleadings with attacks upon the unfair distribution of the wealth produced. To such attacks there is frequently a good and almost always a plausible answer. And in any case it is easy to prove that mere redistribution of our present amount of wealth will not lead us to the millennium. An annual income of fifteen hundred, or even two thousand million, pounds, does not spell prosperity for fifty million people. But then, in laying the greatest stress on inequality of distribution these advocates are choosing the weakest position that

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they could possibly take up. For the real gravamen of the charge against our present industrial system is not that it involves an unfair distribution of the product, but that it mismanages, misdirects, and therefore unduly limits production itself.

It is this contention which the out and out defenders of Capitalism will find it most difficult to meet. Day after day they are dinning it into our ears that there is nothing wrong with the internal conditions of trade and industry but too much Government interference. Only get rid of "control," only leave enterprise free to develop without harassing restrictions, and we shall attain the greatest degree of prosperity that our resources and opportunities permit. But it is not only the one and a half million unemployed to whom the constant repetition of these catchwords no longer carries conviction. It is not only working men who are inclined to doubt whether the unrestricted pursuit of individual profit, the uncontrolled use of capital by those who happen to possess it, does really result in the maximum of benefit to the community.

As a matter of fact it is rather difficult to make out against what these constant complaints of interference with "the freedom of industry" are really directed. The people who make them seem to be beating the air. During the war no doubt almost everything was controlled. Without the strictest control over the

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investment of capital, the use of our shipping, the course of prices, the distribution of food, the drink trade, we could not have escaped national disaster. But all these controls have gone. With the exception of the "Safeguarding of Industries Act," an Act so limited in its operation that it cannot possibly be held responsible for the general depression of trade, there is no more interference with the freedom of industry now than there was before the war. We are back again in all the old conditions, and whatever restrictions there may be upon the liberty of the individual to "do what he likes with his own," they are nothing new, and nothing which the most convinced individualist would propose to get rid of. For good or evil we have re-established the old system, and if a slow and gradual return to such measure of prosperity as we enjoyed before the war is all that we can reasonably hope for, it is not any Government interference with private enterprise which can be held responsible for that somewhat unalluring prospect.

Many of us, it must be admitted, had hoped for better things. We had been encouraged by the great increase of work and production of which, under the stress of war, the nation had proved itself to be capable, and by the results of the much-abused and certainly very imperfect but rightly inspired control, which during the war it was possible to exercise over private cupidity in the public interest. And so we looked forward to a time when, by applying the

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same energy, in the same spirit, to the works of peace, we should make a better use than in the past of our national resources and attain a higher level of general well-being. This idea lay at the root of all the now abandoned schemes of "Reconstruction." But the prevalent current of public opinion is all against this line of thought. The war, it seems, has taught us nothing but what to avoid. Social and industrial reorganisation are chimeras. The old ways are the best ways, and if only we can get back to lower wages and less taxation, we shall be as well off as circumstances permit.

This theory assumes that before the war our condition, if not indeed ideal, was a sound condition, admitting of as much progress as was reasonably possible. But that is just the point about which there is some room for doubt. It certainly was not a condition of social harmony, for the course of industry was periodically interrupted by gigantic strikes, the latest of which, that of the miners in 1912, was also the most paralysing of the whole series. And apart from these disquieting phenomena, the broad results of a century of unparalleled progress in science and mechanical invention were surely not such as to justify complacency. The capacity of man to make use of the forces of Nature has increased a hundredfold. But can it be said that this immense addition to the power of production is reflected in a corresponding improvement in human well-being? That there has been im-

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provement it is impossible to deny. The statistics of Public Health are sufficient evidence. And it is certain that many comforts and pleasures, which formerly were unknown or confined to a few, are now within the reach of millions. Yet, compared with the great and rapid growth of our capacity of production, the growth of prosperity, among the mass of the people, has been lamentably slow.

A few years before the war it was stated on high authority that there were 11,000,000 people in this country living on the verge of starvation. Such a state of things insistently demands explanation. In former times famine was occasionally inevitable and the resources of even the wealthiest countries were not sufficient to preserve a large proportion of their inhabitants from abject poverty. In some parts of the world abject poverty, punctuated by periodic famines, is inevitable even to-day. But I find it perfectly impossible to believe that abject poverty—for we do, in fact, draw the line at famine—is the inevitable lot of any considerable number of people in this country under present conditions—that there must needs be men and women to be reckoned by the million who are underfed, underclothed, miserably housed and lacking the barest necessities of health and comfort. It may be true, no doubt it is true, that we do not produce enough to supply their elementary needs. But why don't we? It cannot be impossible. We did it pretty well during the war, though we



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were cut off from obtaining many things from abroad and the bulk of our productive energy was devoted to creating instruments of destruction. It cannot be impossible, for there is no lack of the actual things, the raw materials of production—they exist or are procurable in abundance—and no lack of hands to convert them into the articles required for human use. Still less is there any lack of machinery. Our industrial plant, though no doubt improvable, is capable of a far greater output than is needed to supply our essential requirements. Thus all the physical conditions exist for a degree of production which should place the whole population of a country, so favoured by nature and fortune as ours, beyond the reach of destitution.

And yet, even in periods of what is known as “booming trade” we are far from attaining this modest ideal. Except in the war years the number of our paupers has seldom in the last half-century fallen below a million. And the problem of unemployment is ever with us. Unusually acute at the present time, it is a chronic disease of the industrial organism at all times—a constant burden and a constant enigma. Why, with so many wants unsatisfied, are so many hands idle that could help to satisfy them, and are only asking for an opportunity to do so? The existence side by side of all these unsatisfied wants and all that involuntary idleness must surely be due to some grave defect in social organisation. We have grown so used to the

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astounding spectacle that at ordinary times we just accept it, like the vagaries of the weather, as something that can't be helped and must be endured with the best patience possible. Only now and again, when, as at present, the malady enters one of its acute phases, do we get into a flurry, and then Government Committees are suddenly improvised to look out for a palliative. But would it not be better to try to strike at the root of the evil, or at any rate to discover it? Even if it is not wholly eradicable, it may yet be possible by sound diagnosis and scientific treatment of the disease to reduce the frequency and the violence of its outbreaks. For it really is not justifiable to assume that the recurrent crises of industry, the violent ups and downs of trade, which, even in normal times, constantly threaten the economic security of so large a portion of the population, are, like changes of weather, quite beyond the wit of man to prevent or to mitigate. That comfortable doctrine may satisfy the more insensitive of the well-to-do. But the hundreds of thousands of unemployed, or the still larger number who live on the verge, and in constant dread of unemployment, will refuse, and rightly refuse, to accept it.

For, indeed, many of the causes of restricted production, of instability of trade and consequent unemployment, of destitution due to the waste of national resources, are patent and certainly not beyond the power of man to remove. For some of them the workers are themselves

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responsible. "Ca' canny" in all its forms and whatever its motives, every regulation or custom which impairs the efficiency or restricts the energy of labour, is an obvious waste of productive power. But while such practices are constantly, vigorously and rightly condemned, less attention is paid to other forms of wastefulness which Labour has little or no power to prevent.

Such wastefulness stares us in the face at every turn, as we contemplate the imperfect use made alike of the gifts of Nature and the aid of Science. The most glaring instance is the backwardness, or actual decadence, of Agriculture. The soil of Britain is easily capable of yielding at least twice as much as it does at present, yet, for want of proper treatment, it is far less productive, whether of crops or stock, than that of countries which, like Denmark and parts of Germany, are inferior in natural fertility. With thousands of acres actually going out of cultivation altogether, with hundreds of thousands growing little more than weeds, with millions growing poor grass which should be under the plough, with the allotments, which during the war did so much to add to the supply of vegetables, steadily disappearing, it is not the niggardliness of Nature which can be held responsible for the inadequacy of agricultural production.

With the historical causes which have led to the decay of agriculture, or the bad arguments which are still constantly employed to make light of it, I cannot here attempt to deal. My present

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point is that this huge waste of potential wealth undoubtedly exists. And if it be said that it "would not pay" to cultivate the land better, my answer is that that may be true for the individual farmer, but it cannot be true for the community. That it is good business for a nation, of which only a minority is productively employed, to buy enormous quantities of goods which it has the means of producing for itself, is a contention repugnant to common sense. And if it is true that under present conditions it "does not pay" to make proper use of the greatest of our national resources, there is urgent need to consider how we have got ourselves into that lamentable position.

Second only to the wasteful use of our land is the waste of our mineral resources. Some of them, such as our great deposits of low-grade iron ore, are still untouched, though tentative efforts, now abandoned, were made to open them up during the war. It may be that under present circumstances it would not be worth while to renew these attempts. But it is certainly worth while to husband the mineral wealth which we are engaged in exploiting and, of course, first and foremost, coal. Yet the annual loss involved in our present methods of mining, distributing, and using coal is simply appalling. It has been estimated by a competent authority at not less than £100,000,000, not to mention the further millions of damage done to property by smoke, or the injury to the

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health and comfort of the population from that cause, which it is impossible to reckon in figures.

It would be easy to multiply instances of this waste of natural resources. But such waste is only one of the factors reducing the benefit which the community derives from the productive energy of its workers. That energy itself is wasted in innumerable ways by excessive competition, bad management, inadequate use of mechanical aids, and failure to profit by systematic research from the assistance to be derived from Science. It is a significant, if unpleasant, fact, revealed by the Census of Production in this country and the United States, that the output of the individual worker in the chief industries common to both countries is twice as great in the United States as it is in Great Britain.<sup>1</sup> Even allowing for the difference in values, the comparison is very unfavourable to the British workman. This is not due to any lack of industry or skill on his part. By the testimony of many impartial observers he has in these respects no superior in the world. It is due in the main to the much greater use of machinery in the United States,<sup>2</sup> which again is rendered possible by the larger scale of American business.

<sup>1</sup> The British Census of Production of 1907 estimates the average net output of industrial workers at £108 per head, the American Census of 1909 at £262 per head.

<sup>2</sup> The average horse-power per industrial worker is, according to the 1907 British Census, 1·5, according to the 1909 American Census, 2·8.

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This is not the only respect in which largeness of scale makes for economy in production. The enormous waste of a number of small competitive businesses, with their restricted opportunities of purchasing, their separate expenses of management and of book-keeping, their separate arrangements for advertising and distributing their wares, is obvious and generally acknowledged. But there is another less obvious but not less important disadvantage under which they labour—their inability, from lack of means, to make the best use of the help which Science can afford. As has been well pointed out by an able writer, “though a million-pound business may be easily able to sustain and profit by fifty chemists, of whom one now and then makes a paying discovery, it does not follow that a hundred-thousand-pound business can profitably sustain any chemist at all, much less keep up a laboratory for five.”<sup>1</sup> The immense superiority of large-scale production could not be better illustrated.

The wastefulness of our present competitive methods makes itself felt even more in distribution than in production. The former is no doubt as essential as the latter, if the community is to derive benefit from the work done. It is no use making things unless they can be brought within the reach of those who want them. But the absorption of an excessive number of people

<sup>1</sup> *The Elements of Reconstruction*, p. 36. (Nisbet & Co., Ltd.)

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in the work of distribution and in mere buying and selling is injurious alike to the producer and the consumer. The elimination of these superfluous intermediaries would effect a saving which, while increasing the remuneration of the former, would yet allow the latter to obtain goods at a lower price. Nothing is more characteristic of our present industrial and commercial system than the hordes of middlemen. Their existence is responsible for the immense distance which in most cases separates the cost of any article to the consumer from the price which the producer gets for it. And while no doubt many of these middlemen are engaged in essential services, their number could be enormously reduced not only without loss, but with great advantage to the community.

Thousands of people everywhere are, owing to the lack of proper organisation, doing work that could be done by as many hundreds, while thousands more are picking up a living in occupations that have no social value at all. Innumerable little shops selling and distributing goods which could be better dealt with by a single well-organised store, are an instance of the former kind of waste; the huge army of salesmen, of advertisers, of brokers, of commission agents, whose activity is devoted to getting business for one firm at the expense of another, are an instance of the latter. The individuals so engaged are not to blame. They have often no choice but to get a living, as they do get it, by interception.

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But that the nation as a whole is the poorer through the diversion of so much energy from productive employment to the scramble of competitive distribution does not admit of doubt. Few people realise how much of the cost to the consumer of essential articles, such as coal and milk, is represented by the expense which those supplying them have incurred in competing with one another for his custom. The same is true of the cost of many services of general importance, for instance, insurance. The multiplication of insurance companies, and the number of agents employed in getting people to insure, substantially on the same terms, in one company rather than another, materially enhance the premiums which the public have to pay.

Such results are inevitable as long as the investment of capital, determining as it does the nature and distribution of employment, is governed wholly by considerations of individual gain. Capital, in its constant search for profit, may often find or think it more advantageous to engage in financial operations which add nothing to the total wealth of the nation, than in promoting productive enterprise. As a matter of fact, some of the greatest fortunes have been made, and are being made to-day, by the mere manipulation of financial counters, for which the chaos of exchange affords such exceptional opportunities. That is interception in the grand style. So are many, though not all, of the mergers, "reconstructions," and so forth,



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with which we have become unpleasantly familiar. They have all got to be paid for, in the long run, by the general public, which is therefore paying something for nothing.

But, quite apart from juggles of this character, which do not touch the field of production at all, the employment of capital in productive enterprise may, from want of right direction, be socially useless and even disastrous. For, from the point of view of the community, what matters is not only the total amount of production but a proper proportion between the different kinds of things produced.

But into this latter consideration those who control the investment of capital do not feel any call, and, indeed, have often not the knowledge, to enter. They are attracted by what appears at the moment to be the most profitable field for the employment of capital, the field which promises the largest return. Thus attracted, they may in fact give a direction to the work of production which is to the general advantage, but they may also very easily do the opposite. Indeed there is one kind of miscalculation to which capital on the look-out for the most immediately profitable form of investment is particularly prone. When, owing to a great increase in the demand for a particular kind of article or service, those engaged in supplying it are making exceptionally high profits, capital is naturally attracted in that direction. There is a fashion in such matters.

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Investors, like other people, are apt to go where they see others going. And so what may at first have been a healthy flow of capital into channels, where it was really needed, quickly becomes a rush greatly exceeding all reasonable requirements.

Existing firms or companies make haste to increase their plant. New companies, with their usual attendant crowd of non-producers—advertising agents, promoters, directors, etc.—are started. There is for the time being a great demand for labour in that particular trade, and wages are high. There is feverish activity, and the end is—over-production. Supply, which was previously quite unable to keep pace with demand, is now greatly in advance of it. Stocks accumulate or are disposed of at a sacrifice. Profits fall off and, in the effort to prevent their disappearing altogether, employers are driven to reduce the number of their men and to cut their wages. But the wages of one body of producers are what constitutes the demand for the labour of other bodies. Thus unemployment or the fall of wages in any one big trade is like a stone dropped into a pond, which affects in widening circles the whole surface of the water. It is to violent fluctuations of this kind, due to speculation and the misdirection of capital resulting from it, that the alternation of “booms” and “slumps” in the industrial world is most frequently due. For if, as the economists tell us, there can be no such thing as general over-

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production, there certainly can be and frequently is over-production of a particular kind of goods. The advance of the industrial army, if it is to be well sustained, must be an advance more or less in line. If one part of it gets too far ahead of the rest, there is dislocation and a general set-back, in which all suffer.

When one of these set-backs, whatever its cause, occurs, the wage-earners are the chief, though not the only, sufferers. But what lends poignancy to their sufferings, what is indeed the main cause of their unrest, is their sense of complete helplessness in the matter. They are the victims of transactions over which they could exercise no possible control. They have nothing whatever to say to the direction of capital, upon which their employment depends, yet they may at any moment be reduced to penury by its misdirection. No doubt the misdirection of capital brings loss to the capitalist himself as well as to the labourer, but then he has nobody but himself to blame. His error of judgment, or his bad management, may have been more or less reprehensible, but he did, at any rate, call the tune and cannot complain if he has to pay the piper. The workman's grievance is that he, too, has to pay the piper, though he has never had the fun of calling the tune, and, indeed, had he had the chance, would have called, or thinks he would have called, a very different one. He may be too ignorant to understand the causes of the "bad times" of which he is the

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victim. But he is apt to suspect, and, as we have seen, with some reason, that they are not due to inexorable Fate, but in great part at least to human blundering, not to say human dishonesty. And those blunders, whoever may have been responsible for them, were certainly not his. They were made by those who had the power, as he has not, of steering the ship of industry, and who ought not, as he thinks, to have steered it on to the rocks.

It is not surprising that, in view of the many and patent defects of the present system of production, there should be a growing revolt on the part of Labour against the losses which it suffers through the waste of national resources and the misdirection of capital. In the past the great body of manual workers have concentrated their efforts on the improvement of their position as wage-earners. Their main aims have been to secure themselves against arbitrary action on the part of their employers and to increase their own share in the product of industry. But with the growth of their political power and the spread of education their aspirations now take a wider sweep, and they are increasingly disposed to support a more ambitious programme. The more advanced advocates of the cause of Labour—and they are not confined to members of the working-class—direct their attack against the whole system of capitalistic production, which they accuse not only of injustice but of inefficiency. In their view

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the insecurity and the inadequate remuneration of Labour are inevitable consequences of that system, and cannot be remedied without radical changes in industrial and social organisation.

About the nature of these changes and the methods of effecting them the innovators are far from being agreed. Few of them appear to have thought out the details of that New Order, in which the supply of the needs of the community, not the profit of individuals, is to be the mainspring of productive activity, and "production for use" is to take the place of "production for profit." As far as I know, there is only one treatise,<sup>1</sup> certainly a very well-informed and thoughtful one, which presents anything like a complete picture of the nation organised for production on other than the present lines. But, amid all the half-baked schemes and conflicting counsels which characterise the attack upon "Capitalism," one dominant idea emerges and persists, and will have to be reckoned with. This is the conviction that, as long as capital is the master and not the servant of productive industry, the majority of mankind derive no adequate benefit from its accumulation. Vastly increased powers of production fail to result in any corresponding increase of general well-being. The actual output of industry is far below what it ought to be, and the needs of the great body of the people

<sup>1</sup> *A Constitution for the Socialist Commonwealth of Great Britain*, by Sidney and Beatrice Webb. (Longmans, 1920.)

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remain unsatisfied, not because the means of satisfying them do not exist, but because they are not properly made use of. And they will never be properly made use of until the materials and instruments of production are controlled, if not actually owned, by independent and self-governing groups of producers, free to develop their several industries for their own benefit and that of the community, not for the advantage and under the dictation of persons who themselves take no part in the work.

Such is the ideal which floats vaguely before the minds of those who now seek to direct the policy of Labour. Its attractiveness is all the greater, because it holds out to the wage-earner something more than an increase of material comfort, namely, the promise of a higher status. It thus accords with one of the most potent forces at present working for the transformation of the existing social order—the desire of the labourer to become something more than a mere wage-earner, to achieve a position of greater personal dignity. This is an inevitable result of the extension of the franchise, which has made him the political equal of his employer. It is unreasonable to expect him, now that he has achieved complete political equality, to acquiesce for ever in a position of complete industrial dependence.

It is no doubt a mischievous exaggeration to speak of his position even now as one of “wage-slavery,” to describe him as a “human tool,”

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a mere "instrument of production." For, apart from all the laws passed for his protection, the Trade Unions—especially in highly organised trades—exercise great power in determining the conditions of employment, and their representatives meet and negotiate with the representatives of the employers on a footing of equality. But, nevertheless, it is true that, over at least four-fifths of the field of national industry, the supreme direction is still exclusively in the hands of the moneyed class, and is entirely out of the control, and indeed beyond the ken, of the great body of producers. Yet that direction determines the nature of their employment and indeed whether they are to be employed at all. Miscalculation or caprice on the part of those who have the control of capital may cause ruin to thousands, who have no concern with, and are indeed totally ignorant of the financial and commercial operations which have led to disaster. Not only is high finance a black art to the workman, veiled in mystery and suspected of nefarious designs, but even the most important facts about the business in which he is individually engaged, its objects, its undertakings, and its profits, are shrouded in unnecessary secrecy. His helplessness in these matters, which affect him so intimately, is in a strange contrast with the power which he exercises, or at any rate might exercise, in questions of high politics, which have much less direct bearing on his daily life. It is this helplessness, and the sense of inferiority be-

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gotten by it, from which he is intent on finding a way of escape.

No reason exists why this prospect should fill us with alarm. It is not a question of Bolshevism, or Communism, or any other of the predatory programmes by the advocacy of which visionaries or firebrands constantly queer the pitch of genuine social progress. On the contrary, it would make for the welfare, not of one class only, but of the whole nation, for social stability as well as for the increase of production, if the interest of the worker in his work was not so generally limited to the receipt of a weekly wage. There is nothing sacrosanct in the present divorce of the great body of producers from the ownership and control of the instruments of production. We have grown so used to the sharp separation between employer and wage-earner, to the division of the industrial army into two separate camps, that we have come to regard it almost as a law of Nature, at any rate as a necessary condition of civilised society. And yet, in fact, it is of comparatively recent growth. The disappearance of the independent workman, all the more serious in a country like ours, which has no large class of peasant proprietors, is in itself an evil. Inevitable, no doubt, owing to the growth of giant businesses, the immense economic superiority of large-scale production, it has nevertheless created a problem, as formidable as it is really novel, for which a solution must be found. If the individual worker has of necessity become a mere infinitesimal part of a great



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machine, it is all the more important that he should feel that he has an interest in the machine itself. Otherwise he is left without any stimulus to energy as a producer and without any sense of dignity as a man.

The question is how to combine the economic advantages of large-scale production with that keenness and feeling of personal responsibility in the individual worker, that pride and pleasure in his work, which belonged of old days to the independent craftsman. The ideal and possibly the ultimate way to achieve this object is the association of producers in groups either having capital of their own or sufficient credit to borrow it. A casual remark which I once made to an interviewer, that I looked forward to a time when, "instead of Capital hiring Labour, Labour should hire Capital," has been blazed abroad on both sides of the Atlantic, and hailed in some quarters as a new and luminous idea, while in others it has been suspected of covering some dangerous and revolutionary design. As a matter of fact the idea is neither novel nor revolutionary. It is as old as the hills. What is new, or at least modern, a product of the Industrial Revolution, is the divorce of those actually engaged in productive work from the ownership and control of the materials and instruments of production. At a certain stage of industrial development that divorce became inevitable, but it does not follow that we should necessarily regard it as permanent. It is surely conceivable, as it is in every respect to be desired,

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that the people actually engaged in any industry should themselves be its capitalists, or, in so far as they need the assistance of external capital, should pay for the use of it, without becoming subject to the control of its possessors.

In our own country, ever since the Industrial Revolution, there have been many attempts to counter Capitalism by the establishment of associations of producers free from capitalist control. For a few years, in the early thirties, under the impulse of Robert Owen, the system of co-operative production assumed considerable dimensions. And though, with the collapse of the Owenite producers' associations, the movement suffered a great set-back, yet it has never wholly died down, and at the present time it has sprung into new life in the form of Guild Socialism.

Whether the Guild Socialists will be able to cope with the difficulties, internal and external, which defeated the followers of Owen, it is impossible to predict. They certainly do not increase their chances of success by proclaiming *urbi et orbi* that they are out to destroy the whole capitalist system. Still less promising is their repeated asseveration that without the complete overthrow of Capitalism their own system is doomed to failure.<sup>1</sup> To many men

<sup>1</sup> See *The Guild Socialist*, February 1922: "Capitalist industry and industry built on associated labour cannot long exist side by side. The one must destroy the other or the other will destroy the one." Many similar passages might be quoted from *The Guild Socialist*.

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who, like myself, feel a strong sympathy with "associated labour," that assertion will appear not only impolitic but untrue. In theory, no doubt, these two forms of industrial organisation are not only sharply contrasted but mutually destructive. But the world of fact is a world of compromise, in which theoretically irreconcilable principles do manage to co-exist, and in the future, as in the past, Socialism and Individualism will just have to rub along together. It is true, of course, that the Guilds, as far as they succeed, will displace capitalist industry, but is it not possible that they may displace it over part of the industrial field and not over the greater part, much less the whole of it? For it is surely evident that there are some industries to which the Guild principle is much more easily applicable than it is to others. The extent to which it may be found applicable, impossible to foresee, can only be determined in practice.

The Guilds will not commend themselves to a sceptical world by declaring that they mean to make a clean sweep of the present organisation of industry. But if they commend themselves by good work, a certain amount of initial bombast may well be forgiven them. The walls of the capitalist Jericho will certainly not fall down before the blast of the Guild Socialist trumpets. But neither are those walls impregnable. The defenders of Capitalism would be making a great mistake if, instead of looking to

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the weak points of their own armour, they were to rely, as they are too apt to do, upon denunciation of the rival system as anarchic or revolutionary. They, too, have got to justify their faith by works, and not by rhetoric. And in truth there is nothing anarchic or subversive of social order in the Guild movement—apart from the rodomontade of some of its supporters. If any large body of workers could succeed through their own efforts, by lawful means, in freeing themselves from the domination of Capital, so far from being a danger, they would be a source of strength to the State. Certain it is that they can only so succeed by proving in actual practice the soundness of their claim to be able to supply the needs of the community better and at a lower cost than Capitalism can supply them. If they do prove that, then the further the Guild movement extends the better. The form of industrial organisation which prevails to-day is not so perfect that mankind is likely to reject any practical alternative which could show better results. There is nothing sacred or final about the Joint Stock Company system. It has its place, no doubt, and performs a useful function in our present stage of economic development. But no extraordinary power of imagination is required to picture a future in which we could get on without it.

The probability, however, is that the Guild movement, if it grows at all, will grow slowly. Its ideal is high, and the average man will not

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easily live up to it. The problems which the internal organisation of the Guilds presents are very difficult, and it will require first-class brains—and first-class characters—to solve them. And then, again, the Guild experiment, if it is to have a reasonable chance of success, must not be attempted on too small a scale. Labour will have “to hire capital,” not indeed in vast, but still in appreciable amounts. And for such a purpose capital may not be easy to come by. Indeed, it is hard to see where it is to be got, in the first instance, unless it be from Trade Union funds, which certainly have often been devoted to less useful objects. But whether many of the Unions will be prepared to risk their money by lending it to the Guilds is another question.

In view of all these discouraging factors it is perhaps not surprising that Guild Socialism, though it undoubtedly commands the sympathy of a large section of the working-class, has as yet gained no prominent place in the Labour programme. Most of the men who supply the Labour Movement with any constructive ideas that it as yet possesses turn their eyes in a different direction. Not content to wait for the slow growth of what might in time displace, or profoundly modify, the existing system, they are for seeking a short cut by the transference of the raw material and instruments of production—or, at any rate, the most important of them, the land, the mines, the railways—from private to public ownership. This is the policy of

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“nationalisation,” about which a greater flood of nonsense has been, and is being, poured forth—on both sides—than on any other subject in the whole field of Economics. On the one hand there are the usual screams about spoliation. On the other hand there is a lot of loose and inflammatory talk, which certainly affords ground for the charge that what the advocates of nationalisation have in mind is something not easily distinguishable from robbery. Now it is certain that the responsible leaders of Labour do not really contemplate taking property from its present owners without compensation. But they are not perhaps at sufficient pains to make that clear to their followers, for many of whom nationalisation would lose much of its charm if they realised that it had to be paid for.

Before any serious discussion is possible, it is necessary to make the issue clear. Does the proposal to nationalise this or that form of property mean that it is to be simply taken away from its present owners without giving them the fair value of it? If the answer is “Yes,” then there is no room for argument. We are just in for a fight, and a fight in which I personally have no doubt which party will gain the upper hand. A frontal attack on property is, in Great Britain at any rate, foredoomed to failure. The number of people of all classes who have something to lose is far too great, the ramifications of private ownership are far too subtle and intricate, to allow a policy of con-

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fiscation to be attempted without involving its authors in complete disaster. But if the answer is "No," then it is time to stop blathering about Russia and Revolution and to settle down to a calm examination of what is in that case a purely economic question, about which people may quite legitimately take opposite views.

Whether it would be to the general advantage that any particular form of capital should be publicly owned, or that a particular industry should be run by a public authority rather than by private individuals, must always be a very difficult matter to decide, and the more dispassionately any such proposal is considered the better. Each case should be judged on its merits, and it is a misfortune when a carefully elaborated scheme based on substantial arguments, like that which commended itself to the chairman of the Coal Industry Commission,<sup>1</sup> is simply ruled out of court by question-begging generalities about the vices of "bureaucracy" and "Government control" and the virtues of private enterprise and unrestricted competition. As a matter of fact, the organisation suggested by Mr. Justice Sankey was not "bureaucratic," nor are our present methods of producing and distributing coal, as revealed by the evidence given before the Commission, calculated to excite much enthusiasm in any unprejudiced mind. On the contrary, I cannot help thinking that the

<sup>1</sup> See the Final Reports of the Commissioners, Cd. 210 of 1919.

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conclusion most likely to be drawn from that evidence by an impartial student is that those methods are neither economically sound nor socially beneficent. As long as they continue unchanged, the agitation and unrest will also continue. And if, as is not unreasonable, so drastic a measure as the nationalisation of all the coal mines is regarded as too great a leap in the dark, it seems a pity that the experiment should not be tried in a single coalfield sufficiently large to give it a fair chance of success. The eternal controversy between the advocates of private and public ownership, whether of the mines or of any other great source of national wealth, is never going to be settled by abstract arguments. Why should it be impossible to submit it to the test of fact?

That the area of public ownership of the means and instruments of production is destined to extend, may be regarded, humanly speaking, as certain. But it is no less certain that for a long time to come the capitalist system will hold its own over a great, if gradually diminishing, portion of the industrial field. It is to developments within that system that, at any rate in our time, we must mainly look, alike for an increase of production and for the enhanced welfare and contentment of the great body of producers. The two things are inseparable. For among the various influences which at present cripple production and restrict output, none is more potent than the growing discontent of the



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rank and file of the industrial army. It is no use merely to preach to the workman that he has the remedy in his own hands, and that it is only by an increased effort on his part that his lot can be improved. He may perfectly understand that and yet be unwilling to make an increased effort without being convinced of two things, of which he is very frequently not convinced. One is that he is getting his fair share of what his labour produces, the other that his labour is being turned to the best advantage, that it is not being wasted by mismanagement or miscalculation.

That it is very desirable to satisfy him on the first of these two points will be readily admitted. But it is not yet sufficiently realised how important it is to satisfy him also on the second. Just as soldiers will never fight their best if they have lost faith in the skill of their general, so men will not work their best if they doubt the competence of those by whom their work is directed. And the more educated and intelligent the workman is, the more critical he is. For good or evil, it must be recognised that we have to deal with a more critical body of workers. And this is true not only of individual businesses, but of industry as a whole. Labour is more and more inclined to question the competence of the bigwigs of industry and finance. There is a loss of confidence in the management.

Such loss of confidence may not be wholly justified, but, in view of the ~~extraordinary~~

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happenings of the last three or four years, it is not unnatural. Let us try to picture the impression which his experiences during those years are likely to have left on the mind of any fairly intelligent workman, a man, say, good at his own job, but with only so much information about the general affairs of the world as he could gather from the steady perusal of his daily paper. For months and months after the close of the war he had it dinned into his ears that the world was suffering from a shortage of goods, and he was overwhelmed with exhortations to him and the men of his class not to spare themselves, but to work with intensified energy to make up the deficiency. That, he was vehemently assured, was their duty to their country and the world, and at the same time the one sure road to the improvement of their own condition. Such was the unanimous appeal made to him by all the highest authorities in the world of industry and finance. And he obeyed it to the best of his ability, but only to find, a year or two later, that the warehouses of his employers were choked with goods which they could not sell, and that his services were no longer required. And then, when, stung by disappointment, he began to probe for himself into the causes of this strange contradiction, he was told that there had unfortunately been a mistake, that the activity to which he had been so fervently exhorted to contribute was "feverish," that he ought to have known, we ought all to have known, that after

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the war there was bound to be a big slump, because "the pool of capital had been depleted" and we had no money for making things and nobody else had any money for buying them. And yet at the same time he read in his paper that in Germany, where, presumably, "the pool of capital" was equally depleted, there was still intense industrial activity and next to no unemployment. More than that, he knew that the Germans were again sending their wares into this country, which, despite its lamentable impoverishment, was apparently still rich enough to afford the best market in the world for every kind of foreign goods. But then the Germans, so he was assured, were only able to do this owing to their wicked and idiotic action in debasing their currency, which enabled them to undersell us not only in our own country, but everywhere else. This manœuvre of theirs might, however, possibly still be defeated, if he and his fellows would only accept for an indefinite period such a reduction of wages as would enable the British manufacturer once more to compete with the German on something like equal terms. And this very depressing prospect certainly grew no brighter when he came to look at the figures for himself, for he could not help seeing that, even if his wages were cut down almost to zero, it was still not evident that British goods could be produced as cheaply as German.

And yet he was assured that any other remedy was unthinkable. And this he mournfully

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accepted, for had he not been taught from his childhood, and were not all the best educated of his fellows agreed, that it was a sign of mental imbecility, and almost of moral depravity, not always to "buy in the cheapest market," or to do anything which could by any possibility give the slightest advantage to the British producer in his competition with the foreigner? That position, as I say, he accepted, and yet it seemed to him rather hard that, as the price of victory, the victors should be condemned to perpetual indigence. Meanwhile, his growing gloom was from time to time irradiated by gleams of hope, which all turned out to be will-o'-the-wisps. At one time it was the reopening of trade with Russia, with her "bulging corn-bins," at another the reduction of the amount of German reparations—unfortunately fixed at much too high a figure in the first instance—which was to bring him relief. But, above all, things would begin to mend when the wisdom of statesmen and financiers had found a remedy for that to him inscrutable mystery, the chaos of international exchange.

And so he now began to watch with growing interest the tremendous activity developed by these great men with regard to exchange and reparations, their constant comings and goings between England and the Continent, between America and Europe, the Conferences, the Commissions, the tossing of the ball backwards and forwards from Ministers to "experts,"

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and from "experts" to Ministers, until it slowly dawned on him that all this expenditure of energy had produced precisely nothing, that the question of reparations was still unsettled, and that the chaos of the exchanges was going from bad to worse. And so he was led by degrees to the irreverent conclusion that the business of nations must be being run by people who did not know their job, and, when the General Election came round, he voted for the Labour candidate, not because he had any particular faith in that gentleman's promises, but because he was sick of "being messed about," and thought that a Government of workmen could not possibly make a greater muddle of things than was being made by the present managers.

To a detached and philosophic mind all this may appear very unreasonable. The economic disorder of the world at the present time involves problems of such number, such novelty, and such complexity, that they have fairly beaten all Governments, even those of the most advanced nations. It is just possible that a super-Government of all civilised countries might have been equal to the task, but such a super-Government is not even in sight. Under existing conditions the problems are too big for the men—for *any* men. It is absurd to cast the blame upon rulers or a ruling class. Where, as in Russia, a new set of rulers has been thrown up out of the proletariat, the position is not better, but worse. It is not through revolutionary

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upheavals that mankind will grope its way out of the chaos. But these sane, if not very comforting, considerations can hardly be expected to appeal to the working-class, who are the principal sufferers. And the widespread conviction that distress is due to the muddles made by those who possess economic power—not only the statesmen, but the “captains of industry” and the great lords of finance—that there is “something wrong at the top,” intensifies the discontent of the workmen with what they think, and often rightly think, to be bad management in their own particular industries.

It is no remedy for this discontent to reproach them with the contribution they themselves have made, through their slackness and intractability, or through the often mistaken policy of their Unions, to the general distress. The right course is not to continue to keep them at arm's length, but to take them by the arm, to break down the wall of separation which at present exists between employers and employed, and to recognise that the latter are entitled to have their say about the conduct and policy of the business on which their whole existence depends. They might often have something to suggest which would contribute to its better working. And they would certainly not be less easy to deal with, if they were forced to realise the difficulties of the management. Moreover, they would be led to feel that they were really associates in the enterprise in which they were engaged, not merely hirelings. And thus they would take an interest and a pride in it

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as in a sense their own business, and gradually develop towards it that spirit of corporate loyalty which comes so naturally to Englishmen.

If I should be told that such views are idealistic and unpractical, I can only reply that I know them to be shared by some of the best employers to-day. And the means of carrying these ideas into execution actually exist. In most of our great industries the masters on the one hand and the men on the other are now banded together in associations covering the whole country. It is desirable that within each industry both these associations should be as comprehensive as possible, in order that any agreement between them may not be upset by the selfishness or caprice of individual recalcitrants. But the establishment of a really strong organisation on both sides should only be a preliminary to the creation of a Joint Council, comprising representatives of employers and employed in equal numbers, with the object of taking counsel together for the continuous and progressive improvement of the industry. The object of these Councils should not be primarily the settlement of disputes, for which in many industries excellent machinery already exists. Incidentally they might indeed contribute to the settlement, or, better still, the avoidance of quarrels, but their direct object should be something wider and higher, namely, to associate masters and men in the promotion of what is their common interest, the better conduct of the work in which they are both engaged. It

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is the hearty co-operation of both parties for this end which the Joint Industrial Councils, commonly known as the "Whitley" Councils, were intended to bring about.

These institutions are still in their infancy, but, properly developed, they may prove of immense value and open up the road to a brighter industrial future. So far they have had to contend against much apathy, indifference, and prejudice, and our largest national industries are still devoid of them. Moreover, they have suffered, in some cases, from a narrow and mistaken view of their own functions, and are in danger of becoming nothing more than additional Conciliation Boards, inclined to confine themselves to the settlement of disputes instead of devoting themselves to constructive work for the general advancement of the industry. But in other and by no means unimportant trades their success has been remarkable. "Our National Council," says a leading employer in the pottery trade, "has now been working for nearly two years, and I think everyone is agreed that the work it has done has been most valuable. The almost daily contact between employers and operatives on the various committees has educated both sides in a way which amply justifies the hopes of those who have been responsible for initiating the Whitley Councils." These words are taken from a pamphlet in the "Industrial Peace"<sup>1</sup>

<sup>1</sup> *Capital, Labour, and the Consumer*, by T. B. Johnston, J.P. (Simpkin, Marshall & Co., 1919.)



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series, which I wish could be read by everybody who is interested in these industrial questions. For the writer not only gives an interesting account of what the Joint Councils have already done, but outlines with fine constructive imagination the much greater part which this form of co-operation ought to play in re-shaping the whole of our economic and social life. This, indeed, is not a mere question of machinery. There is a moral side to it. Joint Industrial Councils, developed to the full, might do much to humanise the relations between the parties engaged in the work of production, and to make the organisation of industry subserve even wider social ends. As the writer already quoted puts it : " The essential condition of such an organisation is a new spirit. The industry must be regarded as a department of the national life, existing for the double purpose of serving the community and affording the opportunity of a complete life to all the individuals engaged in it." And then he goes on to point out how this " new spirit " is incompatible with anything but complete frankness and a disclosure of all the cardinal facts, especially those affecting the financial position, which are now too often a jealously guarded secret : " Let employers and employed know the facts, and they can be trusted to deal with them in a common-sense way. It is precisely because Labour at present does not know the facts, and because the only way of ascertaining what wages an industry can carry is by making periodical

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demands after the manner of the income-tax collector, that friction arises. In truth it is not possible to conceive a system, or want of system, better calculated to cause trouble and unrest. The first essential to a better understanding between Capital and Labour is that all the cards should be laid on the table and all the facts known, and that can only be done when an industry is thoroughly organised."

It is an attractive feature of the system now under consideration that it places the onus of improving the conditions of any industry upon the people actually engaged in it, instead of attempting to effect such improvement by external pressure. It is true that in those trades, in which Joint Councils have been established covering the whole country, there is now a demand that these Councils should have statutory powers enabling them to make their decisions, when agreed to by representatives of three-fourths of the capital and three-fourths of the workers employed in the trade, binding upon all the rest. But the intervention of Parliament to this extent, which is no doubt necessary if the Councils are to be really efficient, does not infringe the principle of self-government within the industry. All that the Legislature is asked to do is to empower the industry to regulate and control itself.

Finally, if this system grows, and National Councils are established in all or most of the principal trades, they may pave the way to a

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further development of great importance. There are many questions affecting the welfare of any given trade which can only be properly settled by the people who are themselves engaged in it and have practical experience of the difficulties to be overcome. But there are other questions affecting the relations of one trade with another, or involving regulations which, if they are to be equitable, must apply to national industry as a whole, that cannot be dealt with by a number of separate and unco-ordinated authorities. These problems may in the last resort require the intervention of the legislature. But Parliament is a very bad arena for thrashing out the complicated details of industrial organisation. Even if its ultimate intervention is necessary, it can only intervene successfully after the matters with regard to which it is called upon to act have been thoroughly discussed by practical industrialists. Under present conditions such discussion could best be ensured by the creation of a national deliberative assembly, in which Capital and Labour enjoyed equal representation.

These were the considerations which led, immediately after the war, when the spirit of Reconstruction, now temporarily discredited, was still a vital force, to the convocation of a National Industrial Conference. That Conference, heralded by a great flourish of trumpets, welcomed by men of all parties, applauded by the leading organs of the Press, and launched on its career with a fervent blessing from the late Prime

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Minister, appointed a Provisional Committee which in April 1919 presented a Report,<sup>1</sup> now almost forgotten, dealing with Hours of Labour, Wages, Unemployment, and Methods of Negotiation between Employers and Trade Unions. It also recommended the establishment of a "permanent representative National Industrial Council." This Council was to consist of "four hundred members fully representative of and accredited by the employers' organisations and the Trade Unions," and to be elected as to one half by the former and one half by the latter. It was "not to supersede any of the existing organisations for dealing with industrial questions. Its object would be to supplement and to co-ordinate the existing sectional machinery by bringing together the knowledge and experience of all sections, and focussing them upon the problems that affect industrial relations as a whole."

This was, as will be observed, a comprehensive and ambitious scheme. And, as a matter of fact, the idea of a "National Industrial Council" was welcomed at first with something like the same enthusiasm as had greeted the first convocation of the National Industrial Conference. But before the Council could be actually established, the war-born impulse towards Social Reconstruction had begun to die down. The Great Reaction, which has swept us back into

<sup>1</sup> Report of Provisional Joint Committee presented to meeting of Industrial Conference. Cd. 501 of 1920.

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acquiescence in the old competitive chaos, with its accompaniment of recurrent outbreaks of industrial strife, was already beginning to set in. And so all public interest in the proposed new institution faded away, and after a flickering existence of less than two years the Provisional Committee, finding that nothing had been done or was likely to be done to carry out its recommendations, was dissolved at its own request.

In the course of last year a well-known leader of Labour, my old colleague in the War Cabinet, Mr. Arthur Henderson, once more returned to the charge, and, in a well-reasoned and temperate letter to *The Times*,<sup>1</sup> again proposed the establishment of what he called an "Industrial Parliament." In its main features this was the suggested National Industrial Council over again. But the atmosphere was still too unfavourable for the acceptance of any constructive idea, and his appeal met with no response. Yet the idea in itself is sound, and will, I have no doubt, ultimately be revived. But it is much more likely to be revived with good effect if, next time, it does not come, so to speak, "out of the blue," but as a natural development of something already existing. It may be that we were going too fast, and that a more complete organisation of the individual trades, such as the Joint Councils, properly developed, are calculated to bring about, should have preceded the attempt to create a National Industrial Council. If the success

<sup>1</sup> See the issue of April 25, 1922.

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already achieved by these Councils in certain trades leads to their general adoption, there will presently be an insistent demand, coming from them, for the establishment of a national body, a "Parliament of Industry," in which they would all be represented, to co-ordinate their separate efforts. That institution will not bring about the millennium, but it will be a great step forward in social organisation. Like the Joint Councils themselves, it will go a long way not only to settle many difficult questions, but to promote harmony and better mutual understanding, and to foster the spirit of co-operation—"the new spirit"—which should lead us to regard every industry as a branch of the Public Service, and all its members as fellow-workers in a common national cause.

### III

#### THE POLICY OF LABOUR

READERS of the preceding essay will not regard me as unsympathetic to the cause of Labour. Some indeed may think me too sympathetic. I shall not, therefore, I hope, be accused of class bias, if I venture on some criticisms of the political party, which claims by its very title to be the special champion of the interests of Labour. In so doing I shall not attempt to paint the lurid picture of approaching Revolution, in which critics of the Labour Party usually indulge. Personally I do not share the fears, which the prospect of a Labour Ministry inspires in so many breasts. An unmixed Labour Government is in all probability still a long way off, and in the meanwhile the views of future Labour Ministers are bound to undergo a mellowing process. And even if such a Government were to come into office within the next few years, I doubt whether it would be able to effect any great or sudden change in our social and economic system. It is much more likely that, failing in the attempt to make much headway with the establishment of "the new social order," it would fall back upon a policy not far removed from that of the

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more advanced section of the old Liberal Party. Retrenchment, especially of the Fighting Services, "Free Trade," the abolition of the House of Lords and of any remaining vestiges of class privilege, would once more occupy a prominent place on the political stage. This prospect is, from the point of view of the social reformer, not specially alluring. But it is a very different prospect from that "red ruin and the breaking up of laws," with which in many minds the vision of a Labour Administration is associated.

There is indeed a fundamental contrast between the doctrines of the old Liberalism and the ideals of Labour. In the conflict between Individualism and Socialism, the Labour Party is bound to champion the latter principle as strongly as Liberalism has always been attached to the former. But, for all that, the Labour Party seems to have taken over from Liberalism some of its worst, if also part of its better traditions. The Labour Party has inherited from Liberalism—and this is a noble heritage—its enthusiasm for Education. But it has inherited also its indifference, not to say hostility, to the Empire. That is an evil tradition, of which the Labour Party must rid itself, if it is ever to become a great National party, careful of all that makes for the strength and honour of the State.

There is, no doubt, something about the idea of Empire which is distasteful to men of democratic sympathies, whose thoughts are concentrated upon the social and industrial problems of Great



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Britain. But no men are fit to guide the destinies of a country such as ours who cannot shake off such one-sidedness. Concerned, and indeed deeply concerned, we ought all to be about the solution of these domestic problems, but not to the exclusion of interest in or sympathy with the achievements of our race all over the world, or the great part which it is called upon to play in upholding civilisation.

Two influences have combined to excite prejudice against the Empire in the minds of many democrats and social reformers. One is the belief that the burden of Empire over-taxes our strength and absorbs resources which would otherwise be available for the improvement of the condition of the people at home. The other is the vision which the word "Empire" itself is calculated to call up—the vision of conquest, of domination, of the oppression of the weak by the strong, of government by force against the will of the governed. But, whatever may have been the case at some stages of our history, both these grounds of objection are inapplicable to the Empire as it exists to-day.

Those who are fond of speaking of "the burden" of the Empire do not always distinguish between two very different things, the cost of its acquisition and the cost of its maintenance. Any attempt to estimate the former, the cost of its acquisition, would involve an historical inquiry as intricate as it would certainly be inconclusive. For, in the end, it will always remain a matter for

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argument whether the expansion of our Empire was the cause of this or that war—the War of the Spanish Succession, for instance, or the Seven Years' War—and not rather the consequence of our victory in struggles in which we should in any case have become engaged. But into such an inquiry it is fortunately not necessary to enter, for what alone concerns us now is the cost of the maintenance of the Empire. And here it is indeed easy to explode the notion that the Empire is, from the economic point of view, a burden at all. The Dominions cost us nothing whatever. They are entirely self-supporting. The same is true of India. And as for the Crown Colonies<sup>1</sup> and Protectorates, though they certainly cost us something (all property costs something, if you do your duty by it), the amount we spend on them is surprisingly and, I should like to add, indefensibly small, compared with the enormous advantages we derive from their possession. Of our national expenditure of 910 millions, less than two millions is spent on all of them put together.<sup>2</sup> Except for these two millions, the Colonies and Protectorates pay their own way,

<sup>1</sup> I use the words "Crown Colony" to describe any Colony not fully self-governing, and not in the narrower technical sense of a Colony without "representative" Government.

<sup>2</sup> The figures are taken from the Estimates for the year 1922-23. The actual expenditure in that year, according to the Budget statement, was £812,500,000. In the Estimates the total for "Colonial Services" was only £1,865,598, and of this amount £800,000 was for Tanganyika—a "Mandated Territory."

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while the profit from the trade we do with them, a trade infinitely greater than that which we do with countries of similar extent and character under foreign flags, makes such a figure almost negligible. And our trade with the Dominions and India is, of course, greater still. So far, therefore, from the Empire being a burden to us or absorbing funds which might be available for beneficial expenditure at home, it is certain that, without the Empire, the profits of our trade, and therefore our revenue, and therefore the sums available for home expenditure, would be greatly reduced.

When I say this, I am certain to be told that I am forgetting the Army and Navy. "Ought not the expenditure on these services"—I shall be asked—"or at least a great part of it, to be added to the cost of the Empire?" My answer to that question is "No." For our Army is already smaller, in proportion to our population, than that of other European countries, including those which have few or no oversea possessions. We could not afford to reduce it, as the experience of 1914 must surely have taught us, even if we had no Empire at all. And as for the Navy, we need it for the protection of our world-wide commerce and mercantile marine, and we should need not a smaller but a larger Navy, if we were deprived of the naval bases which the Empire contains. Indeed without these bases our Navy, however strong, could never discharge its primary duty of safeguarding our sea-borne trade.

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Moreover, in considering the cost of national defence there is another factor of first-rate importance to be borne in mind, namely the added strength and security which we derive from the growth of the Dominions. Of the value of their support we had unforgettable proof in the late war, and their permanent connection with us, as members of the same Commonwealth, it must ever be the first duty of British statesmanship to cherish.

In view of all these considerations, how can we talk, or think, of the Empire as a "burden" !

It remains to discuss the second stumbling-block to which I have referred—the idea that the Empire, if profitable to ourselves, involves injustice to others, to the peoples over whom we rule, and whom we are accused of "exploiting." And I am ready to admit that, Imperialist as I am, this idea, if it could be proved to be true, would shake the foundations of my faith. But I am convinced that it is wholly untrue, and that in quarters where this view of the Empire is still held, its prevalence is due to ignorance of the facts—an ignorance often turned to account by deliberate calumniators, who exaggerate every defect of British rule and suppress all mention of the benefits which it has bestowed and is bestowing upon subject races. That conviction is based not only upon personal experience, certainly of a very striking kind, but upon life-long study of the effects of British administration in all parts of the world, a study

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in which I have certainly not turned a blind eye to the darker side of the picture.

In this connection, of course, no question arises with regard to the Dominions. They are to-day free nations, with their destinies entirely in their own hands, and to speak of Great Britain oppressing them or "exploiting" them would be a patent absurdity. What people can alone have in mind, when they make these charges, is the Dependent Empire. Now it must be admitted that in the history of the foundation of that Empire, and of our government of it, especially in its early stages, there are some pages which every patriotic Briton would wish to see blotted out, if there are also many others which must fill his heart with pride at the courage, the endurance, the self-sacrifice, and the humanity of numbers of his countrymen—explorers, warriors, administrators, philanthropists—who have given their lives to the upbuilding of this mighty fabric. Yet, when every evil deed which can be charged against us has been added up, it remains true that no Empire which the world has ever seen has been acquired by less questionable means, or indeed of less deliberate purpose. And in any case it is not for the manner in which our ancestors acquired "dominion over palm and pine," but for the way in which that authority is now exercised, that we of this generation have to answer. We are entitled to say, as Prince Henry in a famous passage said of his father's crown :

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“ My gracious liege,  
You won it, wore it, kept it, gave it me;  
Then plain and right must my possession be :  
Which I, with more than with a common pain,  
’Gainst all the world will rightfully maintain.”

But as a matter of fact we have improved upon that, and have given to the “rightful maintenance” of British authority a very altruistic interpretation. For the principle which now dominates our policy towards subject races is the conception of ourselves as their guardians and trustees, bound to exercise our power not for our own advantage but for their good, and to spare no effort in training them for self-government. And if that principle is not always observed, it is certain that no ruling nation in the world has more fully adopted or more conscientiously striven to live up to it. Indeed it is sometimes interpreted in a way which is not only unfair to British traders and settlers, but positively detrimental to the native races whom it is our object to protect.

But all this does not satisfy our ultra-Democrats. To a certain type of mind no benefit which British rule may confer, and no advance which a backward race may be making under it, can atone for the initial vice of the exercise of authority by one people over another. It is not government “by the will of the people.” It is not “self-determination.” But this is a point of view which it is perhaps not harsh to characterise as fanatical. If all men were, in fact, as ideologues would no doubt have liked to create them, equal,

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and all peoples were equally capable of governing themselves on the system evolved, in the course of centuries, by the most advanced nations, then no doubt the authority exercised by Great Britain in Nigeria, or Malaya, or the Sudan might be difficult to justify. But since, in truth, there is no single type of constitution suitable to all human conditions, and systems of Government are not ends in themselves, but only means to promote the welfare of the governed, British authority, in such countries as these, has a moral title which cannot easily be impugned. For that authority is the only one capable, under present circumstances, of ensuring to the peoples of these countries the primary blessings of order and justice. Its withdrawal would be a disaster for them and, on our part, a dereliction of duty.

These propositions may sound commonplace enough, but in the present flabby state of public opinion it is necessary constantly to reaffirm them. And in particular is it necessary that any party aspiring to the government of the British State should learn to realise what the British Empire stands for in the struggle of progressive civilisation against the forces which in so many quarters are persistently threatening to undermine it. There is good reason why Bolshevism should regard that Empire as its arch-enemy and should be systematically plotting its destruction.

But of this aspect of the responsibilities incumbent upon any British Government the exponents of Labour policy have so far shown no

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appreciation. One may search in vain in their programme, their writings or their speeches for any expression of sympathy with the work which their fellow-countrymen are doing to promote the welfare of so many millions of the human race, or indeed any reference to it, except an occasional cavil when something appears to have been done amiss. Their habitual indifference to the Empire is only disturbed when it is proposed to relinquish some portion of our Imperial responsibilities. Then indeed they can be counted upon to rouse themselves and to raise their voices in favour of that proposal.

This attitude can perhaps be attributed to a virtue run to seed, to excess of sympathy with the "under-dog" and with any movement which is called a movement of liberation, though its real tendency may be to substitute the oppression of a native oligarchy, or despot, for the much milder and juster rule of British administrators. But no such excuse can be urged for the coldness with which the Labour Party has always regarded the great British Democracies overseas, with their free institutions and progressive social policy, or for its indifference to all attempts to draw closer the bonds and promote co-operation between us and them. It has always seemed to me very strange that the idea of a "Commonwealth of British Nations," a group of free peoples, of the same origin, the same language, the same type of civilisation, forming a great confederacy for the defence of



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their common interests, the foremost of which—Peace and the Freedom of the Seas—are also the interests of the whole civilised world, has not appealed more strongly to British Democrats. And it seems stranger than ever that this idea should not appeal to them now, in view of the self-sacrificing zeal with which the younger nations of the British family rallied to the cause of Right and Freedom against aggressive Despotism. The Labour Party is enthusiastic for the League of Nations. Why has the League of British Nations found no corner in its heart? The strange, anti-British and anti-patriotic bias, first developed by the Whigs at the time of the French Revolution, and handed on by them to Liberalism, seems still to retain its hold upon the men who inspire the policy of Labour to-day.

This anti-national bias is a formidable thing. But it is, and always has been, confined to what may be described as “superior persons,” and finds no favour with the great body of the British people. Least of all is it characteristic of the working-class. The average workman is proud of his country. While he has no antipathy to foreigners, he has a decided preference for his fellow-Britons, even when they come from the Antipodes. His tolerance and sense of justice make him averse from an aggressive policy towards other nations, but he is always prepared to stand up for the rights of his own country, and in this respect his character is not likely to change. The frantic efforts at present being

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made to eradicate his patriotism and plant "class consciousness" in its place, are, I venture to think, doomed to failure. They are "bad business" for the Labour Party. The first leader who has the courage entirely to discard them will be doing a national service, but he will at the same time be relieving his own party of a heavy incubus.

But it is not only with regard to the Empire that the Labour Party must broaden its mind if it is to become, like the old political parties, national in its scope and character, the champion of certain general principles and not merely of the interests of a particular class. It has recently extended its membership to include "all workers by hand or brain." That definition, liberally interpreted, would cover almost the whole nation. And there is no reason why an organisation, which began with the manual workers and had as its primary aim the improvement of their condition, should not draw into its ranks men and women of any class. For the elevation of the mass of the people is the great object of statesmanship, and every honest patriot will attach himself to that party which seems to him most likely to promote it. But if the Labour Party is to attract to itself patriotic men from all grades of society, it will have to show that its own policy is broadly patriotic. In pursuing its primary object, the elevation of "the masses," it must yet have a care for the general prosperity of the nation. For popular progress is bound up with National Economy—that is to say, with

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good husbandry of all the resources, material and human, of the country.

But up till now the Labour Party has been too exclusively concerned with the interests of the manual workers, and not even of all of them, but only of those engaged in manufacturing industry. The policy of Labour still bears too much the stamp of its urban origin. This fact accounts for its persistent and lamentable indifference to the decay of agriculture. I must not repeat here what I have already said of the disastrous effects of that decay, not only upon agriculturists, but upon the workers in other industries. But there is one aspect of this matter, higher than the merely economic, which ought to appeal to all genuine social reformers. A flourishing countryside is indispensable to a healthy and diversified national life. It may indeed be well to "brighten village life" by cinemas and other forms of urban entertainment; but it is at least as important that the town-dweller should be brought into contact with real country. The preservation of a number of open spaces—glorified Hyde Parks for an afternoon's outing—is not enough. It is rural activities and rural interests—genuine country life, in fact—that we need to preserve as part of our national being. But for the preservation of country life two things are essential. This island must not be allowed to become much more overcrowded than it already is, and agriculture must be able to hold out the prospects of a decent livelihood to those engaged in it.

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But the leaders of Labour still boggle over both these essentials. They are opposed to emigration. We ought, as they contend, to be able to maintain all our people in reasonable comfort at home. But one may admit, as I personally do, the possibility of so maintaining as large and even a larger number than this country already contains, and yet not regard this as a very high ideal for the future of the race. We want more elbow-room. By spreading out our population over the Empire we shall be giving both to those who go and those who stay the chance of a larger life, more numerous and more varied opportunities of development.

And, again, the leaders of Labour are not prepared to face the problem of keeping agriculture remunerative. Yet a solution of this problem is indispensable, if we are to keep agriculture at all. It is no use mincing matters over this question. If we are not to waste the natural fertility of the soil—the most outrageous form of national waste—we must be prepared to pay enough for the products of the soil, when properly cultivated, to afford a decent livelihood to all “workers by hand and brain” upon the land. Whether we do this by a tariff, or by a subsidy, or by some other means, is of secondary importance. The great point is that, unless we do it in one way or another, the land must go out of cultivation, or we must “sweat” the agricultural worker. But to let the land go out of cultivation is to sacrifice a great part of the

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resources of the nation; and to "sweating" in any form Labour, if it is to be true to itself, must be inexorably opposed.

The problem of agriculture is indeed a testing question for those who direct the policy of Labour. Will they be able to look at it with a fresh mind, or is their judgment to remain clouded by prejudices derived from the controversies of "the hungry forties," although the circumstances of the case have entirely altered since the days of Peel? For at that time it could be forcibly, if short-sightedly, argued that we had only to cheapen the food of the workers in manufacturing industries, and thus reduce the cost of production, in order to develop an export trade, which then seemed capable of indefinite expansion; that the growth of our export trade would more than compensate us for any loss of agricultural wealth; and that the workers displaced from agriculture could all find more profitable employment in factories. And it could also be argued that the difference between a higher and a lower price of agricultural produce simply went into the pocket of the landlord. But to-day both these arguments have lost their force. For we are no longer able to flood the markets of the world with our manufactures, and the share of the landowner in the produce of the soil has sunk to almost negligible proportions. The greater part of that share is swallowed up by taxation and necessary expenses, and the owner is often little more than a distributor of the rent

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he receives. If the poorer landlords do of necessity retain some portion of their rent for themselves, the richer ones—rich because they have other sources of income—often spend more money on the upkeep and improvement of the land than they ever get out of it, so that even the total extinction of the landlord class would not relieve the position of agriculture. And the average farmer may be esteemed lucky now-a-days if the land affords him interest on his capital and a moderate remuneration for his own work. Thus the burden of agricultural depression is bound to fall most heavily upon the labourer. It is out of his wages that, as a general rule, any cut of agricultural prices has got to come. But the wages of agricultural labour have never, except perhaps for one or two years in the immediate past, been high—indeed in many parts of the country they have been meagre in the extreme. Is it fair that they should be still further reduced for the benefit of the workers in other industries? Is the destitution which threatens so large a body of their fellows a matter of no concern to the urban majority of the Labour world or to the leaders of the Labour Party?

This question brings us to a very fundamental issue, and one which I venture to think that the leaders of Labour have never squarely faced. It is not only the fate of agriculture which is involved, though agriculture presents us with a very good test case. It may, of course, be

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said that the plight of the agricultural labourer, however sad, is irremediable; that it is due to the working of "economic laws" with which it would be wrong to try to interfere; and that, moreover, the cheapening of any article, especially any article of food, is in itself such a good thing that we have no call to inquire into its causes or its consequences. But is this creed, the creed of Commercialism, one to which the Labour Party, or indeed any party which has Social Reform at heart, can afford quite unreservedly to adhere? For these arguments, be it observed, could be advanced in defence of any form of "sweating." And, apart from that, there are at least two reasons why, as it seems to me, it is dangerous for the Labour Party to accept "buying in the cheapest market" as the golden rule of conduct, or to admit that cheapness, whatever its cause or its consequences, is always a blessing.

For, in the first place, such a doctrine completely negatives the idea that there is such a thing as a just wage, or a just price of anything. But, this idea once abandoned, it is hard to see what can prevent unrestricted competition from trampling first one and then another set of workers into the dust. It is agriculture to-day, but it may be any other of our staple industries to-morrow. The conception of price as an instrument for effecting a fair exchange of the products of one industry for those of another—taking into account what is required for the due reward of labour in each—entirely disappears.

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And, secondly, the blind pursuit of immediate cheapness may very often lead to dearness in the long run. A fall in the price of any article may not always be of lasting benefit even to the consumer. Illustrations of this truth are very familiar to anyone acquainted with the course of trade. A powerful business, or group of businesses, will often cut prices, and face a temporary loss in doing so, in order to knock out its rivals and obtain a monopoly. The monopoly once established, prices are raised again, and raised above the level at which they originally stood. But a fall of prices, even when not thus artificial and temporary, may entail consequences which are injurious to the community in many ways. This is clearly the case when it involves a reduction of wages. If indeed the fall of wages is general and approximately equal over the whole field of industry, the injury is lessened. For then the producer may be compensated for the reduction of his wages by the increased purchasing power of what he still receives. But even in that case there is much distress until the general readjustment is complete, if it ever is. The fall of wages in one industry leads to their fall in another till, like a row of ninepins, they are all knocked down. Moreover, the benefit of the lowered cost of production, due to a fall of wages, is always slow to reach the consumer. As a general rule the middleman intercepts the lion's share of it on the way. And when the general fall of prices is finally effected, nobody is certainly



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benefited by it except the mere consumers, the people who have no interest, direct or indirect, in the rewards of labour and enterprise. And these are a much smaller number than is generally supposed.

There is, in truth, no road to a healthy cheapness except the improvement of the methods of production—greater skill, more science, better organisation—leading to the increased efficiency of labour. When, owing to his efforts being more wisely directed, or to his own greater alertness and ingenuity, the worker is able to increase his output without increased strain, then indeed the price of the goods he makes can be reduced without any injury to himself, and all parties are benefited. But where cheapness is achieved at the cost of a reduction in the worker's standard of living, it may easily be a curse rather than a blessing to the community. Not cheapness first, but rather cheapness last, cheapness only when it results from greater efficiency of production, is the sound principle of economic policy.

But this is a matter with regard to which the policy of Labour is by no means consistent. When pressing for an increase or resisting a reduction of wages, Labour shows very little concern for the effect of its action upon the price of goods. To the plaintive appeals of the Capitalist Press, begging the workers to remember that they too are consumers, and that as consumers they should beware how they do anything to enhance the cost of production, Labour at such

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times is apt to turn a very deaf ear. And in so doing Labour is in the main wise. For, while it would be absurd to contend that, in the constant struggle over the division of the product of industry, the workers have always been right, the main principle, for which they have fought, the maintenance of standard rates, has been a sound one. Had it not been for the steady resistance of Organised Labour to the depression of wages, for which under a system of unrestricted competition Capital is compelled to strive, the remuneration of the rank and file of the industrial army would have been forced down to the level of mere subsistence.

Cheap goods are of little use to those who lack money wherewith to buy, and, where labour is plentiful, there is no limit to the pressure which the owners of capital, in their struggle to undersell one another, are driven to bring to bear upon the workers, except the refusal of the latter to let the lure of cheapness tempt them to work below a certain wage. For doing so they have often been reproached with obstinacy and short-sightedness. And it is, of course, easy to argue, that the keeping up of wages in any one industry is an injury to the workers in every other, and so to try to range the great body of the working-class, in their character of consumers, against the particular section which at any given time is fighting to maintain or to raise its own wages. But it is to the credit of the working-class that these appeals to their selfishness have generally

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failed. Where wages were in dispute, unless the rate contended for was clearly much above the general standard, the sympathy of Labour has always been with the wage-earners, and the consequences which their action might have, in raising the price of the goods produced to their fellow-workers in other industries, has been ignored.

Thus Labour has over and over again refused and, as I venture to think, rightly refused to treat cheapness as the supreme consideration. However great the advantage of low prices to the working-class, who form the great majority of consumers, Labour is capable of recognising that this advantage may very often be bought too dear. As far as home production is concerned, it makes no fetish of the interest of the consumer.

But when it is a question of imported goods, the attitude of the leaders of Labour—though not always that of the rank and file—becomes wholly changed. In the case of these, the interest of the consumer is treated as paramount, and anything which could possibly increase the price of the foreign article is denounced as a folly and almost as a crime. In his unquestioning devotion to “Free Trade,” the Labour politician vies with the strongest adherents of that Manchester school, whose doctrines, in other directions, he has so completely discarded. And yet it is evident that there is no more insidious danger threatening the position of the British workman in the future than the dumping of

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foreign goods. It is useless for him, in the interest of his class, to make sacrifices with respect to the price of home-made goods, if he is prepared to let foreign goods take the bread out of the mouths of himself and his fellows.

At the present moment the British producer, except in agriculture, may not appear to be very seriously threatened in the home market by foreign competition. But this immunity is due to temporary causes. Dumping had become a very serious problem before the war, and it is inevitable that, whenever normal conditions are restored in international trade, we shall once more feel the full force of it in this country. There is an ever-increasing tendency on the part of all industrial nations to develop their capacity of production beyond what is necessary to supply their own requirements, and they will thus be driven to try to thrust their surplus products upon their neighbours. In the ensuing struggle the nation, which is willing to buy foreign goods at any price at which it may suit the foreigner to offer them, must be prepared to see first one and then another of its own industries go to the wall. There is no possibility of evading that issue.

It would be an insult to the intelligence of the leaders of Labour to suppose that they are not alive to this danger. But they are certainly very reluctant to face the necessity of devising means to avert it. If they have any plan in the matter at all, it appears that they look to

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international agreements, and to the growth of a sense of solidarity among the Labour Parties of the different nations to restrain commercial, as they have always looked to these agencies to prevent actual, war. But surely all past experience forbids us to place much reliance upon such means of defence. How little did all the fine resolutions of international Labour Conferences, all the superficial fraternisation and promises of mutual support, avail to prevent the outbreak or mitigate the fierceness of the tremendous conflict of the past decade? The best that can be said of them is that they were perfectly futile. But it might with some force be argued that they were actually mischievous, as tending to lull the peaceful into a false sense of security and encourage the warlike in their aggressive designs. But if the attempt to create an international alliance of Labour for the maintenance of peace has always ended in failure, is it conceivable that such an alliance could ever set bounds to the economic struggle between country and country? The idea seems fantastic in its impracticability.

It would be a disaster if British Labour were to be led astray by the will-o'-the-wisp of Internationalism. And of this there is some risk. The idea—itself of Continental origin—that the “proletariats” of all nations should combine in revolt against the existing order of society—alien as these theoretic vapourings are to our British mentality—has undoubtedly gained some

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hold upon a section of the Labour world. There is indeed little likelihood, in my own opinion there is not even a possibility, of such a combination. But the mere promulgation of this idea, the talk of it, the very currency of the mischievous and misleading phrase "the proletariat," are not without their evil effects. For they all tend to foster that spirit of class enmity which is the greatest bar to Social Progress, and, by encouraging the dream of revolution, to stiffen blind resistance to reform. That there are great defects in our social system, which inevitably engender class enmity, is undeniable. But it is not to subversive doctrines imported from abroad, but to moral forces of native growth, that we should look for the building up of a better Social Order. And among the strongest of these forces is Patriotism—pride in our country, which must make us loathe the spectacle of the degrading conditions in which so many of its people are still condemned to live. What a source of national weakness! What a stain on the national honour!

And, as I see it, no nation is in a better position than our own to solve for itself the social problems, formidable as they are, which are now troubling the waters in every civilised country, and to offer to all its citizens the opportunity of a decent human existence. If houses are still wanted by the hundred thousand, if slums are still permitted to exist, if the smoke-cloud still rests like a pall over our cities, destroy-

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ing life and wasting treasure, it is not because we lack the means to remove these evils, but because we have not learned to make full use of our resources. And yet we are learning. Our progress may be slow, slower than that of some other peoples, in availing ourselves of the new means which the staggering discoveries of Science have placed at the disposal of man for the satisfaction of his material needs. But still there is progress. And slowly too, but surely, a new and higher conception of the economic solidarity of the nation—a conception which sees it not as a mere multitude of competing individuals, but as a genuine household, organised to provide a fitting place and a decent livelihood for all its members—is making headway in every class of society. That ideal may be hard to realise. It can never be realised at all except by gradual stages. To force the pace would be to invite disaster. But against such precipitancy there is a great safeguard in the temper of the British people, in their good nature, hatred of violence, and respect for individual rights, and in their preference of the immediately practical to the theoretically perfect. That temper has helped them, in less than a century, completely to transform their political institutions, without any of those sudden and catastrophic changes by which the same transformation has been carried out in other lands. And so it is not unreasonable to hope that in this country, where there is already so much

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practical Socialism, the work of social organisation still before us will be accomplished in a similar spirit and by similar methods, and that in this respect also Great Britain will set an example to the world.

With all our assets, material and moral, we have no need to abandon the vision of a better England too lightly promised at the close of the war. It was not the aims then set before us which were delusive, but the optimism which represented them as quickly or easily attainable. That better conditions of life can and ought to be assured to the great body of the people—healthier homes, purer air, more widely diffused culture, a less precarious economic existence—is no fantastic dream. It is really a modest programme, which can be carried out, not indeed without sustained effort, but without making excessive demands either upon our resources or our virtue. It needs no superhuman altruism, but only enlightened common sense.

There is, however, one danger threatening this fair prospect which meliorators, in their enthusiasm for domestic progress, are too apt to ignore. "Defence," to quote once more a justly famous aphorism, "is greater than opulence." No degree of domestic progress, no more scientific production or more equitable distribution of wealth will avail us, if we have not the strength to defend our own prosperity against interference from without. That is a hard truth which the leaders of Labour are very



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reluctant to acknowledge. Their record in this respect is indeed a bad one, for up to the very outbreak of the Great War they were—with few exceptions—among the most bitter opponents of every proposal to strengthen the national defences by sea or land. Had their counsels been followed, Europe would now be under the heel of Prussian militarism, and Labour everywhere at the mercy of the Stinneses and the Thyssens. And there is nothing to show that the illusions which so fatally misled them then are any less dominant in their minds to-day. They are still so obsessed by the bogey of “Jingoism,” so nervous of a possible abuse of national strength, that they remain blind to the perils of national weakness. They are still convinced that we have only to be consistently unaggressive and unprovocative ourselves in order to escape the necessity of making continued provision against the aggressiveness of others.

But to these comforting doctrines the experience of mankind in every age, certainly not excluding our own, lends little support. For they imply the existence of something like a common moral standard governing the conduct of nations in their contact with one another. In fact no such standard exists. On the contrary, there is the widest divergence of ethical conceptions on this subject, not only as between civilised and more or less barbarous peoples, but even between civilised peoples themselves. There are higher and lower codes of international conduct,

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and from the point of view of humanity it would be disastrous if the nations with a higher code were to grow weaker in comparison with their neighbours. For it is they who must take the lead in trying to bring about the reign of international justice and the settlement of disputes by better means than the cruel arbitrament of war. But it is the greatest mistake to suppose that in doing so they will lighten their own burdens. Rather are those burdens likely, at the outset at any rate, to be increased. It is one thing to applaud the creation of a "Court of International Justice," quite another to ensure respect for its decisions. If ever we come to grips with the practical question of setting up an international force to execute the decrees of such a Court, it will be left to the nations, who are most sincere in their loyalty to the new institution, to make the first and the heaviest sacrifices for the establishment of its authority.

Thus, whether we rely upon ourselves, or look to an international pact, for defence from external aggression, there is always the same need for strength and for preparation. But it is not only violent attack from without against which we must be on our guard. The prosperity of a country may indeed be wrecked, as that of Germany is being, by the consequences of defeat in war. But it may also be undermined, in times of peace, by commercial invasion. And that is especially true in the case of a country whose prosperity depends on intensive industrial

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development coupled with an enormous foreign trade. Such a country stands in peculiar need of a well-thought-out economic policy. It cannot afford to leave its foreign trade to chance with no better prescription than "the more the merrier." For, paradoxical as it may sound, the increase of foreign trade is not always a blessing. It is not a blessing when it involves the ruin of a native industry, unless indeed it helps to set up a new and better industry in its place.

That is a consideration which I humbly venture to commend to politicians of every school, but especially to the leaders of the Labour Party. For the industrial commonwealth of their aspirations is peculiarly liable to be upset by foreign competition. It rests on the foundation of "the national minimum," the principle of "securing to every member of the community, in good times and bad alike, all the requisites of healthy life and worthy citizenship."<sup>1</sup> That standard is unmaintainable without a huge increase in national production. The mere redistribution of existing wealth would not secure it, as the authors of the Labour programme themselves admit. "What the nation needs is undoubtedly a great bound onward in its aggregate productivity."<sup>2</sup> Their ideal is a country humming with industrial activity—model factories equipped with the most

<sup>1</sup> *Labour and the New Social Order* (National Labour Press), p. 5.

<sup>2</sup> *Ibid.*, p. 12.

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perfect machinery, intensively cultivated land, and highly remunerated workers. Yet all these highly remunerated workers are to be free to supply their individual requirements as cheaply as they can. What is going to happen if they find that they can supply them best, not by buying from one another, but by the purchase of goods coming from countries with a much lower standard of life? When the Labour Party is brought face to face, as sooner or later it must be, with the alternatives of lowering its contemplated "national minimum" or regulating the importation of foreign goods, which is it going to prefer?

For some time no doubt every effort will be made to give this inconvenient question the go-by. In the field of practical politics, the omens point to a working alliance between Labour and Liberalism. And as far as external relations go, such an alliance presents no difficulty. Both parties are willing to take the risk of drastically reducing the provision for National Defence, and anxious to spend little or nothing on the development of the Empire. It is in respect of home affairs that a great deal of compromise will be necessary. It is true that Liberalism has of late years shed a great portion of its original economic faith. But the greater the gaps in its old creed, the more desperately does Liberalism cling to what is left of it. Free imports are the Ark of the Covenant, upon which it is determined to let no profane hands be laid. If it can have absolute assurance on this point, it

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will be willing to make great concessions in other directions. And such assurance official Labour will be quite willing to give. Thus Free Imports are likely to become a central plank in the platform of the new alliance, a subject not open to discussion as long as the alliance lasts.

But there are forces too strong for the ingenious combinations of political strategy. Whatever the leaders may do, the division on this subject in the ranks of Labour, which already exists, will grow and grow, as one trade after another begins to feel the pinch. And the danger rather is that, when Protection does come, it will come with a rush, and may be extended much further than is necessary or desirable. To forestall such blunders, it would be well if the whole question could be examined anew by fresh minds unprejudiced by the controversies of the past. Such an inquiry it would be in the best interests of Labour to promote.

I have left to the last what is the most immediately contentious item in the programme of the Labour Party—the proposal to fix a maximum of individual wealth and gradually to level down to it by a process of confiscatory taxation. I am dealing with this subject in another essay, and I need not here point out, how far, without any deliberate desire to alter the distribution of wealth, the taxation of great fortunes has already been carried. That a policy of confiscation for its own sake is both wrong and foolish, I have no doubt whatever. If I am not too much perturbed by the

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menace of such a policy, it is because of my conviction that, in this country at any rate, it is certain to fail. The first step in that direction would lead to such a wrangle, such confusion, dislocation of business and widespread impoverishment, that there would be little danger of a second. But there is a higher reason why those, whose genuine desire is for social betterment, should not let themselves be tempted to take this wrong road. For their strength lies in reliance upon the growing spirit of Social Justice. Men, not in one class only, but in all classes, are becoming more and more alive to the inequitable distribution of the products of industry, the abusive exercise of the power of wealth, the waste of national resources due to the absence of all control over the investment of capital. For measures calculated to remedy these evils reformers can count on the support of a steadily increasing volume of public feeling. But that support will be lost to them if, in asserting the rights of the community, they show no regard for the rights of individuals. They cannot, with any justice, penalise the present possessors of wealth, lawfully acquired, because of the existence of social and economic conditions which tend to bring about an excessive accumulation of riches in the hands of a few. What they can do, and should alone strive to do, is to alter these conditions, in order to promote both a larger output and a better distribution of the products of industry in the future.

#### IV

### TAXATION AND ECONOMY

IN a famous passage Macaulay has satirised the British public "in one of its periodical fits of morality." "In general," he says,

"elopements, divorces, and family quarrels pass with little notice. We read the scandal, talk about it for a day, and forget it. But once in six or seven years our virtue becomes outrageous. We cannot suffer the laws of religion and decency to be violated. We must make a stand against vice. We must teach libertines that the English people appreciate the importance of domestic ties. Accordingly some unfortunate man, in no respect more depraved than hundreds whose offences have been treated with lenity, is singled out as an expiatory sacrifice. If he has children, they are to be taken from him. If he has a profession, he is to be driven from it. He is cut by the higher orders and hissed by the lower. He is, in truth, a sort of whipping-boy, by whose vicarious agonies all the other transgressors of the same class are, it is supposed, sufficiently chastised. We reflect very complacently on our own severity, and compare with great pride the high standard of morals established in England with the Parisian laxity. At length our anger is satiated. Our victim is ruined and heartbroken. And our virtue goes quietly to sleep for seven years more."<sup>1</sup>

<sup>1</sup> In the Essay on *Moore's Life of Lord Byron*.

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“It is clear,” he continues, “that those vices which destroy domestic happiness ought to be as much as possible repressed. . . . It is therefore right and desirable that public opinion should be directed against them. But it should be directed against them uniformly, steadily, and temperately, not by sudden fits and starts.”

It is not only in the field of ethics that the British public is liable to such fits. The essence of them all is that some idea, in itself sound, some principle, in itself just and deserving a high place in the conduct of life, is suddenly elevated to a position of super-eminent importance, and is preached and practised with a reckless disregard of all other considerations. It has become an obsession, and while, if pursued—in the words of Macaulay—“uniformly, steadily and temperately,” it would conduce to the general good, it is converted by our momentary excessive devotion into a car of Juggernaut crushing everything which comes across its path.

A fit of this kind, one of the most severe on record, attacked the British public in the summer and autumn of 1921, and we are still far from having recovered from it. The attack this time was not one of “morality,” but of “economy.”

Now “Economy” in the true sense of the word—*i. e.* the avoidance, not of expenditure *per se*, but of wasteful expenditure—is certainly an essential principle for the community as much as for the individual. But it too should be practised “uniformly, steadily and temperately,” not “by



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sudden fits and starts," not forgotten nine-tenths of the time and then suddenly dragged out of its obscurity, to be made an idol of and worshipped with furious intensity. At the time when this fever was at its height, there was a general clamour for "ruthless" reduction of public expenditure. It did not matter what we reduced as long as we did it "ruthlessly." Suddenly awakened to the fact that for some six or seven years we had been spending money like water, and to the consequent enormous increase of taxation, we now flew to the opposite extreme, and, while greatly exaggerating the seriousness of our position, grasped wildly at every form of cheeseparing in order to retrieve it. For weeks and months nothing was to be heard in public speech or private conversation but wails over our extreme poverty, and exhortations to "economy" as being the only road by which we could escape destruction. A hectic Press, always ready to exploit the public humour of the moment, ran riot in denunciations of our past extravagance and in furious onslaughts upon the Government for spending money on objects, such as housing, on which only a year before the same Government had been abused for not spending money fast enough. All our troubles, so ran the latest cry, were due to our profligate expenditure during and since the war. We had thought ourselves rich, but in fact we had become infinitely poorer. We were on the "road to ruin." We were threatened with national bankruptcy. There was

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nothing for it but to pull up sharp, to reverse all the engines at once, to become as niggardly as we had once been lavish, and to fix a definite—impossibly low—figure, which the Budget must not exceed, no matter what was sacrificed or who was cheated in the process.

While the storm was at its fiercest, no public man dared open his mouth except to echo the *clichés* of the popular “stunt.” At by-election after by-election the would-be Members of Parliament vied with one another in asseverating their devotion to “Anti-Waste.” The ordinary topics of party controversy were relegated to the background. Victory was not to be gained by dwelling on these antiquated differences, but by harping on the one topic about which the great majority of voters, whatever their party, had been worked up into something like frenzy. And so every candidate in turn shouted “economy,” and he who shouted loudest won.

The Government itself did not resist—perhaps no Government could have resisted—the tornado. It broke faith with the farmers, cut down its housing programme, its education programme, hung up the orders for the construction of new ships, not to mention a hundred minor economies, not a few of them mischievous, which, though they individually saved no amount of money to speak of, yet gave the impression of a commendable zeal for retrenchment all round.

And the minor public authorities followed suit. All over the country County and Borough

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Councils, Boards of Guardians, and other rate-spending bodies hastened to try to convince the public that they too were possessed by a fervent love of economy. It may have seemed a *reductio ad absurdum* when the District Council of Ashton in Makerfield saved £13 a year "by getting rid of the ducks from the park lakes" (*Times* of August 30, 1921), but they were in fact only carrying out with perhaps excessive fidelity the great principle to which statesmen and legislators, the Press and the Pulpit, were doing such abundant homage.

The "Anti-Waste" typhoon has now somewhat abated, but it has left the field covered with wreckage. The sudden withdrawal of the subsidy to corn-growers has been the direct cause of the crisis in agriculture, now assuming the proportions of a great national disaster. Moreover, the indiscriminate raid upon the Estimates has to a large extent defeated its own object, as violent changes of policy, extorted by public clamour, so often do. For it is now evident that some of the "economies," into which the Government was hustled, have so aggravated unemployment that it is cheaper to give them up, and to spend money in paying people to do the work which was temporarily abandoned than to spend it in keeping them alive in idleness. And so we are after all building the battleships, and I dare say, before these lines are in print, we shall have revived, at least in part, the housing programme.<sup>1</sup>

<sup>1</sup> This has now actually happened.

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The precipitate cutting down of expenditure has led to other troubles, which in their turn threaten to involve us in fresh expense. Among the severest "cuts" were those made in the Education Estimates, and one of these in particular has had very unfortunate results. I refer to the saving effected by postponing the execution of that part of the Act of 1918 which provided for a great extension of the system of Continuation Schools. For when trade fell off and unemployment began to assume formidable proportions, it was found that a great number of boys and girls who could not get work, and whom attendance at these schools would have saved, for at least part of their time, from loafing about the streets, forgetting what they had already learned and acquiring bad habits, were now perforce completely idle. And as month after month the number grew, and the consequent demoralisation, especially in some of the big industrial centres, became alarming, a great outcry arose about "the peril of idle youth," which certainly had more justification than many other popular outcries.

It was a case of "something must be done," and so a number of spasmodic efforts have recently been made to fill the gap left by the curtailment of the Continuation School programme. But an educational system is about the last thing in the world which can be satisfactorily improvised in a hurry. There is certain to be a lot of very tangible waste—money

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actually thrown away—over such improvisation, which should give our too ardent economisers cause to think. For the great, though more remote, national loss, involved in letting many thousands of lads grow up into wasters and hooligans, is something which it is, I fear, hopeless to expect them to consider.

It seems that we have still a great deal to learn as a nation about what is and what is not waste, what is and what is not true economy. Mere reduction of expenditure is not necessarily economy. It may be, it often is, the most pernicious form of waste. On the other hand, there is no doubt whatever that a great deal of our public expenditure—municipal expenditure perhaps even more than State expenditure—really is wasteful in the true sense of the word, by which I mean that the work done by public authorities is not done in an economical way. All public departments, unless their budgets are carefully controlled, are apt to waste money. Their normal tendency is to become wasteful, especially in the number of men they employ, but also in their methods, their excessive indulgence in paper work, their adherence to antiquated routine, and slowness to avail themselves of new time-saving devices. Moreover, the rivalry between Departments leads to a great deal of overlapping. And all these causes of real waste were immensely aggravated by the war, when so much new work had to be undertaken, and to be got through at top speed. Proper control was

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impossible and wastefulness in almost every Department swelled to abnormal proportions. But even in ordinary times there is great need to keep a careful check upon the details of public expenditure. By steady, continuous, minute control of details, great savings can undoubtedly be effected, and this is real economy, which can never be too strenuously pursued.

It is this real economy, which it is the duty of the authorities entrusted with the control of Public Expenditure, from the Treasury and the Public Accounts Committee down to the financial officers of the several Departments, to ensure. And it is impossible to over-estimate the value of the services which they can render in this their proper function of seeing that the work which Public Departments are called upon to do is done with the minimum of expenditure consistent with efficiency. But there is always a danger that Financial Control will overstep its proper limits. It is one thing to save money by making sure that public services are economically performed, quite another to save it by reducing the number and extent of those services. In the clamour for "economy" these two kinds of saving are constantly confused. Yet they are in their nature essentially different from one another. The former, the prevention of what is unmistakably waste, is always desirable. The latter may very often not be desirable, for the service suppressed or curtailed may, from the national point of view, be worth all the money that is spent on it.

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In any case the determination of this question lies outside the province of Financial Control. It is not the business of the Treasury, or of any purely financial authority, to decide what are and what are not proper objects of public expenditure, or to condemn any particular form of it as wasteful. These are matters of National Policy, which it should be beyond the power of any single Department to settle. And yet, as a matter of fact, it is the Treasury which, in this country at any rate, very often settles them. In practice it is very hard to separate the control of expenditure from the control of policy, or to restrain those, whose duty it is to prevent the waste of public money, from becoming arbiters of the purposes on which public money is to be spent. In the preparation of the Estimates the Treasury has many opportunities of striking out items which it dislikes, and though in theory it is always possible for any Cabinet Minister to challenge its decisions, many practical difficulties stand in the way of his doing so with success. Unless the matter is obviously of great importance, or one which happens at the moment to attract public attention, it is not easy to get it placed on the Cabinet Agenda, still less easy to find time for its adequate discussion.

Thus it really lies in the power of two or three permanent officials to give, in many cases, a decisive trend to National Policy. The actual sums at issue are often small—as a matter of fact it is with respect to small items that there

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is the greatest danger of harm being done—yet the effect on vital public interests may be far-reaching. For many years the progress of Higher Education in England was checked by the extreme niggardliness of the grants made out of the public purse to the new Universities. These institutions have now grown so much in public favour, that they no longer suffer to the same extent from the lack of sympathy, which financial officialdom has always shown, with the claims of Science. But there are many other cases, in which public services have been curtailed or wholly suppressed by the autocratic action of the Treasury. The recent attempt to save £4000 a year by restricting the right of free entry to the British Museum was indeed defeated, owing to a public outcry which roused the House of Commons. But that was just a lucky accident. Take the case of the Rural Industries Branch of the Ministry of Agriculture. It was ruthlessly abolished to save £2000 a year. No doubt opinions may differ as to the wisdom of trying to revive rural industries; but what cannot be disputed is that the abolition of a department specially created to foster them involved a definite and important change of policy. And the point is that this change was effected as a mere incident in the routine of Financial Control. Thus the guardians of the public purse do, in fact, exercise the powers not only of Treasurers but of Managing Directors in many branches of National affairs.



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It will be said, no doubt, that "many a mickle makes a muckle," and that we can never hope for substantial relief from the present heavy burden of taxation, if there is to be a fuss every time that the axe is applied to any branch of public expenditure. The argument is not convincing, for there is in reality much more to be saved by better organisation and less expensive methods of conducting public business, than by curtailing the business itself, which can seldom be done without injury to the national household. But it is fair to recognise that at the present moment, though the "anti-waste" agitation has somewhat spent its force, there is such a strong and persistent revolt on the part of the taxpayer, that he is not in the humour to distinguish between good and bad forms of economy. Almost anything that promises an immediate alleviation of his burdens is welcome.

And yet, however much the taxpayer may rebel, and whatever shifts the Government may be put to in trying to lighten his load, it is hard to see how public expenditure can for many years to come be much lower than it is at present. The charge for pensions will indeed steadily diminish, and there may also be a gradual, though slower, decrease in the service of the Debt. But on the other hand provision for Defence has already been cut to the bone. In the present state of the world it cannot without insanity be any further reduced, and circumstances might easily arise compelling us once more to increase it. And

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though it is, as I believe, quite possible, by careful husbandry, to reduce the cost of other existing services, there are big new demands ahead of us which will more than absorb such savings. Democracy is never a cheap form of government. With every extension of the franchise the number of claims upon the public purse has gone up, and now that political power has passed entirely into the hands of the multitude, such claims will increase both in number and in size. How to raise a sufficient revenue to meet them will be the great problem confronting every Ministry for years to come. Between "ignorant impatience of taxation" on the one hand and growing demands for State aid on the other, the Governments of the future will be more than ever "between the devil and the deep sea."

What makes the dilemma so grave is the fact that these growing demands are not in themselves unreasonable. If people were crying for the moon, they might in time be persuaded that it was no use crying. But what they do in fact cry for are things which, for the most part, ought not, one would think, to be unobtainable—more houses, purer air, better provision for the public health, for the care of the sick and the infirm, for primary and higher education, adequate maintenance for those who, through no fault of their own, are without means and without employment. All these are real needs, and though they cannot be satisfied all at once, there is no

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apparent reason why the resources of this rich country, properly used, should not suffice for their gradual satisfaction. But all these good objects are very costly. And the difficulty is, that the large sums required, if provision is to be made for them on anything like an adequate scale, cannot possibly be, from the commercial point of view, a good investment. They are a form of investment which, though not really uneconomic—for who can doubt that a healthier and better educated nation would also be an economically stronger one?—is not calculated to produce an immediate return in cash. Indeed in many cases the benefits derived from investment in the promotion of social welfare, though very great, can never yield any direct return in cash at all. Therefore we cannot look to private enterprise, unless indeed it is heavily subsidised, to provide these benefits. Now and again, no doubt, one or other of them may be provided in this country, as has occasionally been the case in America, by the generosity of some multi-millionaire—a Carnégie or a Rockefeller. But private generosity can never be expected to cover anything like the whole ground. It is from public funds, municipal or local, that the bulk of the expenditure required for a big policy of social betterment must come. And if, as in our case at the present time, those funds are insufficient, what is to be done? Either the public purse must be replenished, or the policy of social betterment must wait.

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There is a certain school of politicians to whom this problem seems to present no difficulty at all. The programme of the Labour Party, for instance, offers a simple solution of it—"the conscription of wealth," or, in plain language, a further enormous increase of direct taxation. But those who base great hopes of increased revenue on the "conscription of wealth" entirely fail to realise to how great an extent wealth has already been "conscripted." Steeply graduated Direct Taxation—the increased Super Tax and the tripling and quadrupling of the Estate Duty upon large estates—has already, especially in the case of landed property, made great inroads upon all big fortunes, and in some instances, where there have been several deaths in quick succession, has practically destroyed them. Thus Direct Taxation has now reached a point, at which it is sometimes no longer taxation in the proper sense of the word at all, but simply confiscation. If the effects of such taxation are not yet clearly seen, that is due to the number of new fortunes made during the war, which have to a great extent replaced the old ones, and have not hitherto felt the operation of the Death Duties. But it will not be long before they too come under the hammer, and the wealth of the "new rich" is subjected to the same process of attrition as that of their predecessors.

This process cannot be indefinitely carried on, much less, as the Labour programme demands, greatly increased in severity, without defeating

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its own object. For it must inevitably lead to the gradual disappearance of all large accumulations of private wealth. That may be a good thing in itself, but it is fatal to a system which depends for its success upon having such accumulations to carve at. Violently graduated taxation, as an instrument for raising revenue, is thus bound to destroy itself. It is only because of the existence of a number of great fortunes that graduation has hitherto been such an easy means of collecting huge sums of money. Once let all incomes be whittled down to a common fairly low level, and Super Tax and graduated Death Duties will have to be scrapped. These two prolific assets will disappear from the Exchequer Accounts. Indeed Direct Taxation of any kind will be infinitely less productive than it is at present. It is far easier to get £100,000, by direct taxation, from fifty people with an average income of £5000, than to get even a quarter of that sum from 1000 people with an average income of £250. You cannot both confiscate wealth and continue to raise money by the differential taxation of wealthy people.

I do not myself believe that the "conscription of wealth" will ever be carried to anything like the lengths suggested in the programme of the Labour Party—not even if we had a dozen Labour Governments. But if it were, though the coffers of the State might be filled for a year or two, Direct Taxation, as a permanent source of revenue, would be doomed to decay.

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Thus further raids upon existing wealth, even if they were morally defensible, really afford no solution of the difficulty. And at the same time indirect taxation, though it might with advantage be readjusted, cannot be materially increased. Whatever may be theoretically possible, it is not practical politics to think of raising much more money by any form of taxation at the present time.

If, therefore, new demands are to be met and existing services are not to be unwisely cut down the State will have to provide itself with some other source of revenue. And it is difficult to see how that can be done except by the increase of national or communal property, the income from which will supplement the yield and ultimately in a great measure relieve the burden of taxation.

In this country nowadays income from public property forms only a small, though an increasing part of the receipts of the national Exchequer. In former times the proportions were reversed. The cost of public services was borne in the first instance by the monarch, and was defrayed out of the proceeds of the royal, which was then identical with the public, estate. As the cost increased, these revenues had to be supplemented by taxation, which grew and grew till now it has become the main pillar of public finance. But in some other countries, and in parts of our own Empire, the income from State railways, State forests and other State property is still an

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important item of revenue. And in Great Britain there are not a few municipalities which own income-producing property of considerable amount.

I have elsewhere <sup>1</sup> given expression to my own belief that the system of public ownership is likely to be greatly extended. Why such extension, if carried out with prudence and with a due regard to existing rights, should be regarded as revolutionary, is difficult to comprehend. On the other hand, as has already been said, it is no universal panacea. The policy of setting about here and now to "nationalise" the whole capital of the country seems to me as impracticable as it is unattractive. But there must surely be a half-way house between universal State ownership and the complete exclusion of the community from any participation in the growth of national wealth. It is indeed true that the community does ultimately participate in it through the increased yield of taxation. But the question is, whether this is the only or the best method of such participation. When you come to look at it, there seems something bizarre in a system, under which the State first allows the whole product of industry to go into private pockets, and then proceeds to "search" these pockets in order to extract from them the amount requisite to provide for its own needs. Would it not be better to raise that amount, or at least part of it, by giving the State some share in

<sup>1</sup> See p. 78.

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the product of industry before it got into private pockets at all?

But in order to do that, it is not necessary to transfer all private property to the State. Would it not be possible for the State to become, so to speak, a sleeping partner in industry, leaving the initiative and the management, under reasonable control, to private enterprise, but reserving to itself a share in any surplus profit, after the active partners, Labour and Capital, had received an adequate reward? A strong case can certainly be made out for allowing the community to participate in such surplus profit, where it exists. Indeed it would not be inequitable for the community to claim the whole of it. The only reason for not going so far as this is the practical one that, if the State were to seek to appropriate all profit above a certain limit, private enterprise would have no incentive to further effort, when once that limit had been reached. It would be better policy for the sleeping partner to rest contented with a part of the surplus profit.

This proposal is novel, and any plan for carrying it out will no doubt meet with opposition and present a target to the criticism of financial pundits. Nevertheless, if only to illustrate my meaning, I will venture to make a suggestion. The object of the scheme, let me remind my readers, is to relieve the burden of taxation upon the whole community by providing the State with an automatic source of revenue. Might not



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that object be accomplished by adopting the common device of the Deferred Share? The bulk of the business of the country is now conducted by Joint Stock Companies. It is no infrequent practice to give to the shareholders in such companies, or to some of them, in addition to their Ordinary Shares representing the whole of the capital actually subscribed, Deferred Shares of nominal value, which get nothing until the Ordinary Shares have received a certain dividend. Now to fix a limit to the profits of capital already invested in business would be too dangerous an interference with what is the foundation of all social stability—the respect for existing rights. But no objection could be raised on grounds of justice to making it a condition of all future issues of capital that the State should share in the earnings of such capital exceeding a certain limit. In order not to discourage investment, that limit must be a high one, say 10 or even 12 per cent. But any surplus available, after the Ordinary Shares had received this dividend, might be allotted to Deferred Shares—a purely nominal capital—of which some portion, say one half, was the property of the State. Or, as an alternative, the State might own all the Deferred Shares, which would in that case be entitled to only half the surplus, the other half going to the Ordinary Shares.

Such a scheme would involve no interference whatever with the conduct of business. It would

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require no more inspection of accounts than public officials already have the right to make, and do make, for other purposes. None of the familiar arguments against State management or the bureaucratic control of industry apply to it. Nor does the objection to the investment of public money in industrial enterprises, for there would be no investment of public money. But, on the other hand, a substantial share of the future product of industry would automatically flow into the coffers of the State, just as the dividends on the portion of the Suez Canal shares owned by the British Government do to-day. The amount might not be large at first, but it would rapidly increase, and in the course of years it would be enormous.

As I have said, this may not be an ideal plan, but it is for those who object to it to devise a better. The problem of the future of Public Finance is one which needs to be approached with a certain freshness of mind. It cannot be solved by simply trudging on along the old road. If we do that, we shall find ourselves constantly confronted with the choice between practising "economies," such as we are driven to practise to-day, which retard progress and threaten the safety of the country, and giving another turn to the thumb-screw of taxation. Moreover we shall continue to lack the means wherewith to satisfy the growing and not unreasonable demands of a now fully enfranchised democracy. A deliberate policy of Social Betterment is the only

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sure defence against Communism. But such a policy is impossible unless the community is enabled to share in a greater measure than it has done in the past in the profits of private enterprise.

## V

### OUR UNDEVELOPED ESTATE

THE British nation is proud of its record as an imperial and colonising race. And in some respects we have every right to be proud of it—proud of the adventurous seamen who, from Drake and Gilbert and Raleigh to Cook and Franklin and Scott, have carried our flag to the remotest corners of the earth and founded new states in the wilderness; proud of the strong, broad-minded and humane administrators who have established the reign of order and justice among so many barbarous or misgoverned peoples. As discoverers, as settlers, as rulers and civilisers of savage countries or countries of ancient but decadent civilisation, the British race can challenge comparison with any nation of modern Europe. And thanks to these racial aptitudes, but thanks also largely to luck—to historical accidents and the advantage of geographical position—Great Britain has not only covered a great portion of the earth's surface with new nations sprung from her loins, but still retains under her direct control or predominant influence territories of huge extent, containing a population of something like four hundred millions. To the inhabitants of all these territories she has

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striven with sincerity, and as a rule with wonderful success, to extend the blessings of civilised government. But if the question is asked, how much, beyond giving it just laws and honest administration, Great Britain has done for her vast dependent Empire, a true answer cannot be altogether flattering to our national pride. The economic backwardness of so many parts of that Empire is indeed a discredit alike to our generosity and our intelligence. That there should be little progress in this respect in newly-acquired territories may be excusable. But who can contemplate without some feeling of shame the economic decay of the British West Indies, the oldest oversea possessions of the British Crown?

And even in recently acquired territories our achievements in this respect compare none too favourably with those of other nations whom, as colonising Powers, we are apt to despise. What have we to show comparable to the wonderful development of Morocco under the brilliant and energetic guidance of General Lyautey? Was not German East Africa far more liberally treated, in respect of its economic equipment, than the adjoining British Protectorate?<sup>1</sup> The former country has now been brought as a "mandated territory" under British control. The justification for its transfer was the alleged maltreatment of the native population by their German rulers. And whatever may be the degree of truth in that

<sup>1</sup> "British East Africa," now converted from a Protectorate into a Crown Colony and known as "Kenya."

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allegation, I have personally no doubt whatever that even without a mandate, respect for native rights and a humane attitude towards the natives would have been well assured under British administration. But, even from the native point of view, that is not everything. It would be a melancholy consequence of the transfer of German East Africa to an administration with higher ideals of its duty to the natives than those of their former rulers, if the economic progress of the country were to suffer a set-back. And of that there is, frankly speaking, a danger. We have expelled the German planters. Are their plantations going to be allowed to go to rack and ruin? And, if they are, what else do we mean to do to provide a material basis for the civilisation of the natives? They might easily find themselves worse off under a just but penurious and unprogressive administration than under one which, while less careful of their rights, was more zealous in developing the resources of their country. Do not, therefore, let us starve Tanganyika as we have starved, and are starving, some of our Crown Colonies. It is not a sufficient discharge of our duty to keep the peace and protect the rights of the native inhabitants. It is to their interest as well as to our own that we should be energetic in promoting the material progress of these backward countries.

But so far that side of our duty to the dependent Empire has been largely neglected. The national conscience is sensitive, and rightly sen-

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sitive, about any abuse of our power to the detriment of subject races. Any case of cruelty and injustice to them which is brought to light, excites at once a storm of protest. Indeed, there are many people who, in their zeal to protect native races from "exploitation," have often done less than justice to their own countrymen. Not a few of the alleged cases of oppression have proved to be mares' nests, and now and again perfectly sound schemes of development have had to be abandoned because they were supposed, quite wrongly, to involve an infringement of native rights. But as long as there is no scandal, real or imaginary, about British administration, the national conscience is easy over the stagnant condition of large portions of the dependent Empire. It needs the imagination and the driving power of a Chamberlain to arouse the British people to the immense potentialities of their "great undeveloped estate." More was done in his eight years at the Colonial Office to put life into Colonial administration, to make a good start with our latest and restore some of the lost prosperity of our oldest possessions, than in all the eighty years preceding his accession to power. Since his day that impetus has died down, though it has not altogether died out. But the time has now come when, with the closing of so many avenues to our trade and industry in other quarters, it is essential to revive it.

To many people the idea that we neglect or starve the Dependent Empire may cause a shock

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of surprise. They know nothing of such derelicts as British Guiana or British Honduras. Unless they are Lancashire men, they may never have heard (1) that the world is threatened with a scarcity of raw cotton, (2) that there are a number of British Colonies and Protectorates specially suitable for the cultivation of cotton of excellent quality, and (3) that these Colonies and Protectorates at present contribute little more than 3 per cent. of the world's supply.<sup>1</sup> It is no answer to say that just at the moment we may have or be able to procure more raw cotton than we know what to do with, because there is no adequate demand for the cotton goods which we have machinery and hands to produce. For the demand will surely come again, and then we shall find that we cannot get enough raw material or can only get it at a prohibitive price. And again, the very steps necessary to increase the growth of raw cotton in those parts of the Empire—Uganda, Nyassaland, Nigeria, the Sudan—which are specially suitable for its production, would increase the demand for the finished article, as well as for many other British manufactures.

For what those countries need in order to grow more cotton is economic equipment—roads, railways, engines, tractors, and in some cases, notably the Sudan, irrigation works. All these our own country has the means of supplying. The supplying of them would set idle hands to

<sup>1</sup> See the Report to the Board of Trade of the Empire Cotton-Growing Committee. Cd. 523, 1920.



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work in many industries. It would increase employment and *purchasing power* at home, as well as in the countries where the work of development was proceeding.

Lest what has just been said should sound too captious or too pessimistic, it is only right to add that, whatever may be our shortcomings in the development of the Dependent Empire, they are not due to lack of vigour and initiative in individual members of our race. Indeed, a few outstanding men, drawing their inspiration from their own breasts, and tolerated rather than encouraged by Governments and public opinion at home, have here and there done wonders and shed an unwonted lustre over the annals of an always conscientious but, except in the brief Chamberlain epoch, singularly humdrum administration. Thanks to them the progress of some parts of the Empire has, at times, been so remarkable as to attract the attention of the world, and gain for British Colonial policy a reputation for far-sightedness and enterprise which on the whole it has been very far from deserving. For such progress was not the outcome of any settled national purpose, or even of any sustained interest in our Imperial heritage. It has always centred round some exceptional man—a Cromer, a Rhodes, a Kitchener—conceived in his brain, sustained by his energy, and losing at least some of its vitality when he was gone.

If the Crown Colonies and Protectorates have

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as a rule progressed but slowly, the reason is not far to seek. Potentially very rich, they are actually, for the most part, quite poor. They lack capital. Their development is a question of money—and money from outside. But the Colonial Office is the Cinderella of the great Public Departments. In the annual autumnal battle of the Treasury with all the other Offices over the preparation of the Estimates, Cinderella stands a poor chance. When “economy” is in the saddle, she stands no chance at all. There is at the best of times little public interest in the Dependent Empire, no driving power behind the demand for capital to help it forward. Every Government is naturally and rightly anxious to keep down expenditure. But in the case of most other Departments there is a powerful counterweight to the anxiety of the Government to save public money in the interest which thousands, sometimes millions of voters, have in the spending of it. But this force does not operate in the case of the Dependent Empire. The number of voters who realise the extent of its latent resources, or the importance of making better use of them, is negligible. Now and again a modest deputation of people directly interested in this or that project of Colonial development may traverse the gloomy corridors of the Colonial Office. But even if they succeed in gaining the sympathy of a single Minister, they have not greatly advanced their cause. That is not the sort of pressure which is likely to move the Government as a

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whole. No angry crowds threatening to march on Downing Street, no warning from the Whips that seats are in danger, no fears of a bad division in the House of Commons are ever likely to cause perturbation in the breasts of Ministers, where only Colonial interests are concerned.

The effect of this want of driving power to obtain the means necessary for development is shown by the contrast between the Dependent Empire and the Dominions. As long as the latter, still controlled from Downing Street, were at the mercy of the British Treasury, their progress too was very slow. But no sooner did they obtain complete powers of self-government than they launched out on a new policy, and spent all the money that they could get in creating fresh wealth for themselves.

Prudent financiers at home shook their heads over the "profligate expenditure" of these young communities, and there were many predictions of their coming bankruptcy. But the people of the Dominions knew better. They saw with their own eyes, they realised, as men at a distance could not, the opportunities which their soil, their water-power and their mines afforded, and had a boundless confidence in their own future. And though it was not easy to make others share that confidence, and British capital was timid enough at first in backing their sanguine expectations, there were always a few people with courage and imagination enough to trust them. And so capital flowed, slowly indeed at first, but

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in ever-increasing volume, in their direction, until at the present time loans to the Dominions are among the most popular, as they are certainly the most praiseworthy, forms of overseas investment. And, of course, loans to the Governments of the Dominions are only a part of the great stake which the British nation now has in the growing prosperity of these young countries. But, whatever the form which our assistance to them takes—always allowing for a certain amount of bad business, inevitable in every class of investment, whether at home or abroad—the benefit which we derive from giving it is as great as the benefit which we confer. For not only is investment in the Dominions directly remunerative through the interest which it yields, but it has indirect effects of much wider importance in the increase of our trade and the stimulus thus given to our home industry. In that respect indeed, and apart entirely from the political interest which we must always have in building up countries under the British flag, the investment of British capital in the Dominions, and indeed in any part of the Empire, is immensely more profitable than its investment in foreign lands. For, while Great Britain no doubt derives some indirect benefit in increased trade from her investments in foreign countries, the degree of such benefit arising from the investment of an equal amount of capital within the Empire is incomparably greater.

There could be no stronger argument for a

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policy of vigorous development in the Dependent Empire than the results achieved by such a policy in the Dominions. It is incumbent on Great Britain to do for those parts of the Empire, which are not yet capable of self-government or fit to be entrusted with complete financial freedom, what the self-governing States have already done for themselves. And in the case of the more fortunate Crown Colonies, which have no difficulty in balancing their Budgets and command a respectable measure of credit, there has been decided progress in this respect of recent years. For the British Treasury, while expressly disdaining any responsibility for their debts, has yet graciously allowed them to borrow. And as this sanction enables their loans to rank as Trustee securities, considerable sums have been spent by such Colonies as Nigeria, the Gold Coast and the Straits Settlements upon their own development and the advancement of British trade. But the poorer Colonies, which have no credit, are debarred from procuring similar benefits for themselves—and us. And so those who most need help are least able to get it and, however potentially wealthy, remain undeveloped and derive no material advantage from belonging to the richest Empire in the world. Yet it surely is not beyond the reach of financial ingenuity, by pooling the resources of a group of Colonies, or, better still, by means of an Imperial Development Fund, to extend to the more backward communities under the British flag the

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credit which is all they need to start them on the path of progress.

I should weary my readers if I attempted to enter into details about the nature of the assistance which the Crown Colonies and Protectorates stand most in need of, or about the rôle which, given that assistance, they are capable of playing in the economic life of the Empire and of the world. But some general observations may be made under both these heads.

Their immediate requirements are simple, and the expenditure necessary to satisfy them, even generously, would absorb only a small portion, probably not more than a tithe, of what on the average we annually invest abroad. Moreover, that expenditure, while bringing in an exceptionally rich return in the future, would be of immediate value to this country in helping to lighten the constant burden of unemployment, since it would in the main be required for goods and services which Great Britain is in the best position to supply. Engineering skill and engineering material would claim the bulk of it, for the greatest difficulty which most of these Colonies have to surmount is that of bringing their products into the markets of the world. Transportation—improvement of the means of communication, internal and external—is for them the first word in the dictionary of Progress.

And “the second is like unto it,” and that is Science, and especially Science applied in two directions—to the improvement of agriculture

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and to the conquest of disease, disease not only of human beings, but of animals and plants. The benefits which men like Manson and Ross, institutions like the Schools of Tropical Medicine in London and Liverpool, have conferred on the Dependent Empire are simply incalculable. Nothing would do more to aid the material advancement of the Dependent Empire than the establishment in every part of it of a first-class medical service and a staff of scientists engaged on the problems—geological, botanical or entomological, not to attempt an exhaustive list—of that particular region. And, owing to that time-honoured system of distribution, which still leads us to allot the lowest pecuniary rewards to services which have the highest social value, the employment of a number of such men would not involve great expense.

But even that expense is more than the smaller or less developed Dependencies can afford. And on the sacred principle that they must all, not only collectively but individually, and not only in the long run but in every calendar year, “pay their way,” it is a matter of immense difficulty to get the mother country to help them. Though the sum involved may be small, a matter of thousands, at most of tens of thousands, there has to be a fresh battle with the Treasury every time. The Treasury has to make up for its inability to stop extravagance on things which happen to be popular by such small unnoticed uneconomic economies. But the blame lies not

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so much with the Treasury as with public opinion, which is still hopelessly at sea as to what is and what is not waste of public money. The value of Science, like the value of the Dependent Empire, is among the things about which it has yet most to learn.

Turning now to the part which these countries play, or might play, in the economic life of the world, it is to be observed that they are, with few exceptions, tropical or sub-tropical countries, and actual or potential producers of many kinds of raw materials which are indispensable to the great industrial nations situate, as these mostly are, in the temperate zone. They are also producers of a variety of foodstuffs, not indigenous to the temperate zone, of which those nations have become inveterate consumers. Their importance to our own country in that respect is already great, though it might become far greater. Without the tin and rubber of Malaya, the vegetable oils, seeds and kernels of Nigeria, the fibres of East Africa, the cocoa of the Gold Coast, the tea of Ceylon, the gold, gum, sugar, coffee, spices, petroleum, which we derive from these and other parts of the Dependent Empire, some of our industries would even now come to a dead stop, while we should all be deprived of not a few of our commonest articles of consumption, or greatly restricted in the use of them. Yet the output of these things in the British Colonies and Protectorates is only in its initial stages. That output can be enormously in-



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creased and, as we have already seen in respect of cotton, extended in new directions.

And it is not Great Britain alone which is dependent on these countries for the supply of many tropical and sub-tropical products. Other industrial nations, notably Germany and Japan, are in the like case. Even the United States, though with their enormous area, including sub-tropical as well as temperate regions, they are economically more self-sufficient than any other country, cannot dispense with some of the materials which only the Dependent Empire can supply. The amount of America's imports from that Empire is already very considerable, and is rapidly increasing.

And this may become a factor of first-rate importance in the economic relations of Great Britain and the United States. The weak point of those relations is that the value of our importations from the United States is so much greater than the value of their importations from us. And this disproportion, which at one time was to a great extent rectified by our big investments in American railways—until we were obliged to part with them in the war—is now aggravated by our obligation to pay between thirty and forty millions a year to America, over and above what we owe her in any case for the excess of our imports from over our exports to her.

This does not, of course, mean that we shall not be able to pay America all that we owe her.

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The debt of one country to another is not necessarily settled, indeed it is very seldom entirely settled, by the direct transfer of goods or gold from the debtor to the creditor country. The process is usually a much more complicated one, involving many exchanges of goods and services all round the world.

But, to take the simplest illustration, such a debt may be settled by what I have elsewhere called "the triangle of trade." Country A may owe to country B more than the latter is inclined to take from her in goods or than she herself can supply in gold. The direct payment of A's debt to B is thus impracticable. But it may nevertheless be settled indirectly. For country A may herself have a debtor, country C, and if B is more in need of the goods which C can supply than C is of B's goods, and thus becomes indebted to C, country A will be able to use C's debt to her to cancel, in whole or in part, her own debt to B.

Now this is, broadly speaking, very much what already takes place, and may well take place to a much greater extent in future, between Great Britain, America and the Dependent Empire. For that Empire owes a debt to Great Britain, contracted for the purpose of developing its own resources. And for a long time to come that debt is certain to increase, as will likewise the means of paying it. But America, though she may need less and less of what Great Britain can supply, will almost certainly need more and more of

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what the Dependent Empire can supply. On the other hand, the different parts of that Empire, with the exception of the West Indies—whose market, thanks largely to our own neglect, America has completely captured—are not customers of America to anything like the extent that they are customers of Great Britain. The result is that Great Britain's debt to America is in part liquidated through the excess of America's purchases from British possessions over her sales to them. This is an item of some importance in the account between Great Britain and America even to-day, but with a generous and progressive policy on our part its importance is bound greatly to increase. For the British Colonies and Dependencies, as they grow, will need an increasing quantity of manufactured goods, which, unless we throw away our opportunities, they will get mainly from us, while America will stand in increasing need of certain raw materials which she can get only from them. And this is a matter of no small moment. For little as I doubt that, by hook or by crook, we shall always be able to pay America what we owe her, every sane man must admit that our huge debt to her is the most serious feature in our whole economic position. And there is no surer way of lightening it than by mobilising the resources of the Dependent Empire. In the course of years, indeed, the growth of those resources may profoundly affect the balance of trade between Great Britain and America. One has only to think what it would

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mean to us if, with America consuming more and more of her own cotton, the cultivation of cotton in British possessions were to attain such proportions as to make this country independent of the American supply.

It may strike some of my readers as strange that in speaking of what, as distinguished from the self-governing Dominions, I have called the Dependent Empire, I have made no reference to what is still by far the most important part of it—namely, India. If I seem to be leaving India out of account, it is because I am not attempting so ambitious a task as a general review of the economic potentialities of the whole Empire, but simply calling attention to some aspects of them with which I am personally familiar. I have no first-hand knowledge or experience of India, and it would be presumption on my part to pose as an authority on any questions affecting her. But I have little doubt that, among the thousands of my fellow-countrymen to whom India is familiar ground, there are many who could illustrate from their own experience the contrast which is so visible elsewhere—the contrast, that is, between our success in establishing peace and order, and our comparative failure in making the most of the economic resources of the countries over which our rule extends. Great as our trade with India is, and splendid as are some of the Public Works with which we have endowed her, it is difficult, in view of the vast extent of that country, its teeming and industrious population,

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and its still untapped resources, to believe that either India or Great Britain has as yet derived adequate benefits from the long connection between them. That impression may, I admit, be wrong, though it has been strengthened in my mind by the criticisms of foreign travellers—competent observers and friendly to Great Britain—who, while full of admiration for our work in India on the administrative side, have been struck by the economic backwardness of the country as compared, for instance, with the Dutch East Indies. I cannot judge myself of the value of their criticisms, though they certainly were not hasty or superficial. But they are sufficiently striking, and sufficiently consonant with what I have myself observed in other quarters, to be worth recording.

It will be apparent, from what has been already said, that there is one feature of the trade between Great Britain and the Dependent Empire which gives it a quite peculiar value. The interchange of goods between one country and another is not always beneficial, certainly not always of equal benefit, to both. The best form of interchange is where each country supplies the other with what it cannot itself produce, or can only produce with great difficulty and in inadequate quantities. Thus it is between countries, whose physical conditions and industrial development are most dissimilar, that trade yields, in proportion to its amount, the greatest profit to both parties. Imports, which are competitive with the products

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of the importing country, may have their advantages, but they can never be of the same unmixed advantage as imports that are complementary, supplying needs which would otherwise go unsatisfied. We are always apt to judge of the value of trade simply by its amount, without paying sufficient attention to its character.

Now it is the character of our trade with the Dependent Empire which gives it a special importance. What we in this country necessarily lack are the tropical products which that Empire yields in rich abundance, while its peoples stand in need of the kind of things which, with our science and mechanical equipment, we are able to produce in quantities much in excess of our own requirements. So great indeed is the mutual advantage, that it may be argued that from this, the purely commercial point of view, the Dependent Empire is of more worth to us even than the Dominions.

For our trade with the Dominions, though in the main immensely profitable, is not confined to supplying one another's deficiencies. There is a competitive side to it, which has often given rise to a clash of interests, and, on the side of the Dominions at least, to restrictive legislation. They, too, are in an increasing degree industrial countries, capable and desirous of developing manufactures similar to ours, and are, not unnaturally, fearful of our competition. They are not content to accept the rôle, at one time suggested to them, of remaining merely primary

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producers, supplying this country with food and raw materials and relying upon us for all manufactured goods. And, on the other hand, it is at least conceivable that the unlimited inflow of their primary products might not be an unmixed blessing for us. And just as they are, in my judgment, wise in developing their own industries, even if it means buying less steel and cloth and pottery from us, so we too should be wise in intensifying our agricultural production, even if it resulted in our requiring less food imported from them. For it is, as I conceive, an entirely wrong principle of trade between nations, and especially between nations of the same family, that it should degenerate into destructive competition, supplanting, instead of supplementing, home production. Every nation has the right, and indeed the duty, to develop its own productive capacities to the full, and external trade is only beneficent in so far as it subserves that primary object.

At this point it must be admitted we come upon a snag, which the critics of the policy of Imperial development have not been slow to point out. For two objects, both in themselves excellent—the transfer of part of our surplus population to the Dominions, and the preservation of British agriculture—do to a certain extent conflict with one another. In pursuing the former we may be making the latter more difficult to attain. In the general interest of the Empire, one of the best measures ever passed was the Oversea Settlement

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Act of last year. Energetically administered here, it will, given the hearty co-operation of the Dominion Governments, undoubtedly lead to considerable migration from this country to the Dominions, to the great benefit of both parties. But the only male settlers, whom the Dominions want or are much disposed to welcome, are settlers upon the land. The Dominions are all most anxious to increase their agricultural production. It is not, however, so much in order to supply their own requirements—already, except to some extent in the case of South Africa, sufficiently provided for—that they wish to produce more grain and meat and milk and cheese and butter. It is in order to extend their export trade. And the market which they are all looking to, in the first instance, is the British market. But the prospect of a greatly augmented importation of foodstuffs from the Dominions is not one which the British agriculturist can be expected to contemplate without uneasiness. And there is force in his complaint, that it is hard on him that funds to which, as a taxpayer, he contributes, should be used to multiply the number of his competitors.

But this dilemma, though a serious one, is not insuperable, if frankly faced. The better distribution of our race within the Empire is a matter of supreme importance, and we are bound to take any measures calculated to promote it. The possibility that such measures may react unfavourably upon British agriculture is no



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sufficient reason for not adopting them. That danger should indeed be guarded against, but in another way—by strengthening the position of the British agriculturist against all competitors, of whom the prospective new settlers in the Dominions will form, after all, but a small proportion. But to do this, as I have urged elsewhere, is our duty in any case. The condition of agriculture in this country is already a very grave one, and without substantial assistance it must go from bad to worse. And no assistance will be adequate, unless it makes land, properly cultivated, once more a paying proposition.

Obviously the policy of maintaining the productivity of British land would reduce our dependence upon imported foodstuffs, and to that extent diminish our purchases from the Dominions. But it is by no means certain that it would unfavourably affect our trade with the Dominions as a whole. For the range of soil-products which we derive from them is very wide, and while our demand for some of these, which we can produce ourselves, would be diminished, we should have increased power of purchasing others, which we either cannot produce at all, or cannot produce enough of. And in any case the Dominions would have no cause of grievance if we pursued this policy, and it is certain they would make no complaint. For they have never claimed or desired to supply the British market to the detriment of the home producer. What they do

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earnestly desire is something quite different—to have an advantage in that market over their foreign competitors.

On this subject of Imperial trade the sentiment of the peoples of all the Dominions is strong, consistent and unanimous. They have two articles of faith with regard to it. The first is that every State of the Empire should develop its own powers of production to the uttermost, without taking account, in that effort, of the interest of the other States. The second is that it should, as far as possible, obtain what it needs and cannot produce for itself from the other States of the Empire rather than from foreign countries. Home Trade first, Imperial Trade second, Foreign Trade third—that is, in their view, the order of choice. And observing this order themselves, the last thing they ask or wish is that Great Britain should not observe it.

It is evident that the application of these principles is greatly facilitated by the existence of tariffs. For under a tariff, even if it is not a protective tariff, it is easy to give an advantage to goods coming from one quarter over similar goods coming from another. But the existence of a tariff, however powerful as an instrument of commercial preference, is not essential to it. Home production and Imperial trade can both be favoured, as indeed they constantly are, by other influences. “Economic man” is no doubt guided in buying and selling only by considerations of pounds, shillings and pence, but real

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men are affected by habit and by sentiment.. They like the things they are used to. They prefer to deal with their friends. Moreover, public opinion plays a great rôle in the matter. It is influences of this character which largely account for the fact that our trade with the Dominions is so many times greater, per head of their population, than our trade with other countries of broadly similar conditions but under foreign flags.<sup>1</sup> And this was the case before there were any preferential tariffs at all. Such tariffs could never do more than reinforce a pre-existing tendency—the natural habit and disposition of British people in one part of the world to give their custom to British people in another.

Preferential tariffs indeed are only valuable, and can only be fairly judged, as part of a larger policy, and one directed to higher than purely commercial ends. The root idea of that policy is the conception of the free States of the Empire as something more than a group of nations owning allegiance to a common sovereign—the

<sup>1</sup> I mean new countries settled by Europeans and easily accessible by sea. The following figures are instructive :—

<i>Imports of British Goods into</i>	<i>£'s per head of population.</i>
U.S. of America . . . . .	·73
Brazil . . . . .	·79
Argentine . . . . .	5·20
Canada . . . . .	5·84
Australia . . . . .	11·37
New Zealand . . . . .	22·19
S. Africa and Rhodesia . . . . .	32·03

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conception of them as a co-operative Commonwealth, in which each member State, while developing independently on its own lines, is yet bound to contribute whatever it can to the development of the rest. This principle is many-sided and far-reaching. It is not confined to the sphere of economics. And on its economic side it is not confined to the matter of tariffs. It may find expression in many other directions—in such measures, for instance, as the Overseas Settlement Act, or the Colonial Stock Act, intended as they are to direct the surplus manpower, the surplus capital of Great Britain to the upbuilding of other parts of the Empire, in preference to their diversion to foreign countries.

Our judgment of all such measures depends ultimately upon what we may consider to be the true aims of National Policy. There is one body of opinion, which regards the security and welfare of Great Britain as bound up with the maintenance of this co-operative Commonwealth. If that view is correct, it must needs affect our attitude to all the member States. If their strength is our strength, their fortunes indissolubly linked with our own, then we have an interest in their growth and prosperity which is totally different in character from our interest in the development of even the most friendly foreign nation. They have a claim upon our sympathy and support, as we have on theirs—much stronger than that of all the rest of the world.

This view does not involve any indifference on

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our part to the welfare of other countries, much less hostility to them. It has nothing in common with that Chauvinistic temper, that extravagant Nationalism, which is at present devastating so great a portion of the Old World. But, on the other hand, it does differ fundamentally from another view of our position and duty as a nation, which has many adherents, and which, for want of a better word, I may call the cosmopolitan view. According to this latter doctrine we have no obligation to the Dominions, now that they have obtained complete control of their own destinies, beyond that of treating them with the same fairness and goodwill which we ought to exhibit to all nations upon earth. Neither are we called upon to take any interest in their welfare, other than that which we ought to take in the welfare of all the members of the human family. If, as a matter of fact, our relations with them, owing to the ties of race, speech, common origin, and "the golden link of the Crown," are more intimate than our relations with others, that is all to the good, because everything which makes for friendship between one nation and another is good. But to try to make these amicable relations the basis of a permanent alliance is going too far. For such an alliance may even be, like other alliances, dangerous, as tending to cut across the true path of human development, the goal of which is an all-embracing League of Nations, ensuring the reign of International Justice and Universal Peace.

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This is an ideal which it is impossible not to respect. But without disparaging the ideal itself, one may demur to what seems a mistaken notion of the road by which we should try to reach it. Those who, in their enthusiasm for a wider World-embracing League, are indifferent to the maintenance of the League of British Nations, run the risk of throwing away the substance for the shadow. Whatever may be our hopes of a future reign of "peace upon earth and goodwill to men," we have to face the ugly fact that international relations to-day present in too many cases the picture of a seething mass of "envy, hatred, malice and all uncharitableness." That we should use our influence for what it is worth, as I believe we are using it, to promote a better spirit, is indubitable. But our first duty is to preserve, amid the surrounding chaos ever threatening to engulf it, that nucleus of stability and order, that great organisation for the maintenance of peace and the encouragement of mutual helpfulness among something like one-third of the human race, which we call the British Empire. With the infinite variety of races, in all stages of civilisation, which compose that Empire, with the diversity of constitutions, the multitude of conflicting interests which exist within its borders, it is itself the theatre of many dissensions. But the great fact remains, that those dissensions are kept within bounds. The racial antipathy which impels the white settlers of South Africa to resist Indian emigration does

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not end in war between India and South Africa. A serious difference of opinion between the British and Canadian Governments on a financial question of great importance does not lead to a breach between Great Britain and Canada. It is referred, almost as a matter of course, to an arbitrator and settled in a few months. Thus there is already in existence, in practical operation over a great part of the world, an agency to promote those very objects which the all-embracing League of Nations, as yet in the far distance, is intended to secure. The British Empire, keeping the peace within its own borders, bound in its own interest, by the very nature of its constitution, to "seek peace and ensue it" everywhere, is the most powerful bulwark in the world to-day against the spread of international discord. The maintenance of the strength, the preservation of the unity of that Empire is not the only contribution, but it is by far the greatest and most practical contribution, which British statesmanship can make to the welfare of mankind.